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WEST EUROPE REPORT

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SVALBARD GOVERNOR VIEWS FINNISH PLANS FOR COAL-MINING THERE

Helsinki SUOMEN KUVALEHTI in Finnish 13 Aug 82 pp 8-13

[Article by Martti O. Hosia: "In Principle Welcome..."]

[Text] In principle Finnish coal mining is welcome in Svalbard, which is administered by Norway, states "Sysselmann" [Governor] Carl A. Wendt, who supervises the group of islands almost as an autocrat. However, if relations become strained, the Norwegians have a weapon in their environmental protection legislation by which this budding mining project can be nipped in the bud. A foretaste has already been experienced.

Carl A. Wendt has under his jurisdiction a group of islands extending to the 81st parallel, the surface area of which is more than 50,000 square kilometers. According to fluctuating statistics the largest population groups on the islands are 1,500 Norwegians, 2,000 polar bears, a full 2,000 Russians, and 9,000 wild reindeer.

If all goes according to plans, 300-400 Finns can be added to the population of Svalbard, as the islands are called by the Norwegians, by the end of this century. Presently, 20 Finnish drillers are conducting experimental drilling in the Gipsdalen valley to find a suitable coal mining site. Four state-owned corporations are involved in the project, Outokumpu, Rautaruukki, Imatra Power, and Neste.

Is Finnish mining welcome in Svalbard, Sysselmann Carl A. Wendt?

"I would rather not answer this question. We cannot prevent the mining project. If the Finns determine that the project will be profitable, they will construct a mine. My own task is to make all legal activity welcome," answers Wendt cautiously in his office in the middle of the Norwegian mining town of Longyearbyen.

A sysselmann is a directly appointed official of the Norwegian Government, who has extensive authority to act according to his own judgment inasmuch as the ministries in Oslo do not directly interfere in his work. Wendt is new at this job, only since the beginning of July. Previously, Wendt was the police chief in Stavanger. "Even there, there were many Finns," Wendt remembers to point out.

"The Finns are our good neighbors in the Nordic area, why not even here?. As long as statutes and regulations are observed, everything should be O.K.," states Wendt.

Not everything has gone according to the regulations since the Finns drove over a botanical reserve with a caterpillar tractor in attempting to save their supplies from a storm. For this they were fined 10,000 Norwegian kroner.

"The Finns did not keep their promise, but drove anywhere they wanted. The tracks are easy to see from a helicopter," complained Wendt, who was clearly annoyed by the violation.

The sysselmann's displeasure is also easy to understand since in Svalbard in the summer there is only a thin layer of ground that is not frozen on the surface of the permafrost. The tracks left by the caterpillar will remain visible for decades.

"Our obligation is to protect the environment since this is stipulated in the international treaty concerning Svalbard," emphasizes Wendt and thrusts a 52-page document into our hands for reading, "Environmental Regulations for Svalbard".

"Do you know that the spot where you have put up your tent is part of a botanical reserve?" asks the governor.

Treaty Guarantees Rights

The international treaty concerning Svalbard, which has been in effect since 1920, guarantees equal rights for the signatory countries with respect to mining activities, whaling, and fishing, among other things. There are 39 signatory countries, Finland being one of them.

However, only the coal mines are economically important. Norway, the proprietary country, has one old and one newly opened mine on the islands. The USSR has two mines, and now the Finns have also put their foot in the door.

The Norwegians and the Soviets will certainly remain on the islands, but among the Finns there is a slight suspicion that third-party countries and enterprises are no longer wanted on the islands.

One example of this was the extensive oil exploration on the island of Edgeoya begun in the beginning of the 1960's by the multinational oil companies. The Norwegians soon declared the whole island to be an environmentally protected area as well as large pieces of other sections in Svalbard. Now only the Norwegian-owned Statoil Company is drilling on the island, and as the experimental drilling comes to a halt even Statoil will not be able to return.

From the book presented by the governor it is apparent that all the coast line areas of the islands are national parks, adjacent to which lies a "free" zone and in the middle of the main island the old coal fields of Spitsbergen are located in botanical reserves.

Even in the free zone all activity is under the strict control of the Norwegian Environmental Ministry. All research activities which could disturb the peace of this sensitive environment must be reported to the ministry a year in advance and according to the statutes the ministry has considerable authority in the decisionmaking process.

Sensitive Relations With The Russians

Norwegian mining activity is partially explained by the fact that the Russians have their own mine on Svalbard and vice versa.

"You should not expect that the Norwegians will cease mining operations here. It is imperative that Norwegians live here. The coal mines represent the only activity for which there are opportunities here," explains Wendt.

"The mines receive a whole gamut of subsidies from the Norwegian state, which amounts to several million kroner. This is the situation now, but there have been times when the mines have carried their own weight. Here there are many extraordinary expenditures which need not be taken into consideration elsewhere."

And why are there so many more people in the Russian mines even though the production figures are nearly the same as those in the Norwegian mines?

"According to our experts the Russians are competent miners. I do not know why there are more people," states the sysselmann.

One explanation is that the Soviet mines are more self-reliant than the mines in Longyearbyen. The mines have, among other things, their own barns and vegetable gardens. Thus a SAS airplane flies into the Longyearbyen airport once a week while Aeroflot comes in only once a month.

"In principle I know what is going on in the Soviet mines," states Wendt in answering the question regarding the degree to which the authority of Norwegian officials extends over the mining communities of Barentsburg and Pyramiden. "I or my deputy go to Barentsburg every Friday to meet with the Soviet consul.

A Norwegian mining expert inspects the mines and aviation officials inspect the Soviet helicopter port.

"On the other hand, here there is an old tradition of autonomy among the mining companies. In Longyearbyen the Store Norske Spitsbergen Coal Company has maintained and administered the village, the hospital, school, power plant, food supply, and so on.

"The Russians do not generally ask for help from us. Once a polar bear became threatening in Pyramiden and the governor was asked to come and shoot the animal," recalls Wendt.

"The Russians consent to cooperate up to a certain point. They do not, for example, approve of all of Norway's environmental protection measures, but

in practice they do not violate the laws. From time to time they lodge protests," states Wendt.

There was a long-term dispute over the airport built in Longyearbyen in 1975. The Soviet Union considered that the airport violated the stipulation by which military facilities cannot be located on Svalbard.

The seas surrounding the islands can, if there is a desire, become a cause for a larger dispute. According to the interpretation of the Norwegians the jurisdiction of the Svalbard Treaty covers only 4 nautical miles. Thus the zone from 4 to 200 nautical miles is considered to be Norwegian territory.

From the point of view of the Soviets all 200 nautical miles fall under the jurisdiction of the treaty.

The other signatories to the treaty have not become involved in this dispute, and Norway has not received support for its interpretation from its allies.

"The question will not become significant unless drilling for oil in the sea begins," states Wendt. "For the time being there has been no drilling in the sea, only seismic and scientific experiments have been conducted. Oil has not been found on land."

Another subject of dispute is the continental shelf, which according to the Norwegian understanding continues as one entity from the Norwegian mainland to Svalbard. The problem of the correct location of the border line dividing the Barents Sea from top to bottom has for years been the subject of fruitless negotiations.

Wendt, however, does not take a stand on the question of the sea border, but only explains the present situation. On the other hand, a heated discussion will arise with respect to the amount of duty-free alcohol a miner can bring in annually. The governor has precisely defined even this matter: 24 bottles of hard liquor, eight bottles of strong wine, a "reasonable" amount of light wine, and 288 bottles of beer.

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CIT ALCATEL, THOMSON CSF COMPETE IN TELEPHONE INDUSTRY

Contract With India Signed

Paris LES ECHOS in French 3 Aug 82 p 5

[Article by Valerie Lacasble: "Telephone Contract Signed in India"]

[Text] India at the gateway to Asia. India, a nonaligned country and a fabulous market of almost 700 million souls, hardly penetrated to date. One of the pivots of the new policy of cooperation and technology transfer with developing countries advocated by Francois Mitterrand. French businessmen are aware of this.

Yesterday Dassault snagged a contract to supply 40 Mirage 2000's to the Indian air force for 5 billion francs. Today, Louis Mexandeau, accompanied by Georges Pebereau, is signing a contract for CIT Alcatel to deliver 200,000 E 10 B temporal switching telephone lines and a factory at Bangalore with a capacity of 500,000 lines per year for 3.2 billion francs total (100 million in advance). This accounts for about half of the Indian program which calls for installing 1 to 2 million lines each year starting at the end of 1983.

All of this includes supplying equipment: a flow of supplies, of cooperation in the areas of research and development and of technology transfer. The stated goal is for production to become 100 percent Indian within 2 years; however, CIT Alcatel will continue to receive royalties.

Everything is planned with this in mind, from technical assistance to planning and development and including the training of engineers and technicians, which will be handled by Sofrecom [French Company for the Study of Telecommunications Equipment Production]. Great successes for the French high technology industry. Because although everyone knows that since 10 May the air has suddenly cleared between two countries which until then were not getting along, the quality of the products and their technological progress were undoubtedly determining factors in the two cases.

"India is looking for technology transfer. In this respect it is only interested in our most advanced products. Look, for example, at what happened to cars. The Japanese have succeeded in outstripping us," stated Gossot, director of international affairs at the CGE [French General Electric

Company]. This telephone contract had to be obtained in competition with the English, the Swedish and the Americans. But also and especially with the Japanese (NEC) and the Germans (Siemens).

To the extent that just yesterday, a few hours before the signing, Stephe, Indian minister of communications, had to answer questions on this subject in Parliament. And the final phase of the contract, for 700 million francs, which calls for installing a second factory with an annual capacity of 30,000 through circuits, had to be postponed several weeks.

The Advantage for High Technology Products

The beginning of the transaction goes back to 1974, but during Valery Giscard d'Estaing's term and before Indira Gandhi returned to power, negotiations were at a hopeless dead end.

It was only last November during the Indian prime minister's visit to Paris that the difficulties unraveled with a real wave of the magic wand. After 6 months of harsh discussions, CIT Alcatel ended up winning the prize.

A somewhat forced, but highly symbolic, opportunity for Thomson-CSF and CIT Alcatel, both subsidiaries of recently nationalized giants in French electronics, to show their completely new spirit of cooperation, which puts an end to French-French competition that had been deemed harmful.

To avoid giving the advantage to Japanese industries, Thomson-CSF ceded to CIT Alcatel, which was in a better position than it, and concentrated on private telephony with the planned signing next September of a small contract for equipping 18 hotels in Delhi.

United When Facing the Japanese

Too sophisticated and costly for a country like India, the worldly French system had bypassed its opponents. Following renewed criticism, Indira Gandhi, however, preferred to rely on an already proven technology of the future for equipping her country (only 2.5 million lines have already been installed).

The door is now open for new activities. The EEC is well aware of this. Although it did not get any lucrative offers from this transaction, it is still counting on getting several peripheral contracts and establishing itself permanently on these markets with high potential. It is thus hoping to sign cooperative agreements with the Indian government concerning in particular the areas of research, energy (photovoltaic) and defense (lasers).

Because, with 3 million scientists, India is in a good position to become one of the giants among industrializing countries.

International Competition

Paris LES ECHOS in French 6 Aug 82 p 7

[Article by Valerie Lecasble: "France Now Confronts Telephone Giants on World Markets"]

[Text] A large-scale division of the world. Just when, thanks to technological changes caused by electronics, French industrial firms have been ahead (for less than a year) in the area of the telephone (temporal switching), and have begun dreaming of expanding in all directions.

India (LES ECHOS, 3 August) recently pushed France into the rank of the number one world giant through the number of individuals affected by public switching.* (See table). But it is on the results obtained in the future (the two major areas are Latin America and Southeast Asia) that the future of French telephone companies will really depend.

Either their rise will end with a strengthening based on very solid positions, or, on the contrary, they will have trouble getting off the ground, as during the seventies, where they were stuck in the number 10 world spot, behind American, Swedish, German and Japanese firms.

Latin America first of all, where the American firm ITT and the Swedish firm Ericsson are traditionally very strong. (ITT in Argentina, Brazil, Chile, Peru, Venezuela; Ericsson more particularly in Ecuador and Colombia, but also in Brazil and Venezuela). And where the German Siemens, alongside the Japanese NEC, are advantageously dividing up the remaining pieces of the cake.

Some very small, still timid steps were recently taken there by French manufacturers (CIT in Mexico, Thomson in Chile), who, in order to get an immensely important strategic foothold on South American territory, accepted very strict contract conditions.

Classified among the countries that could be destabilized industrially, the countries in Latin America are, as is well known, among those undergoing strong growth, just after those of Asia (Japan excluded) which lead the developing countries in this sector. In Malaysia, however, where Ericsson and Siemens predominate, CIT Alcatel seems to have gotten off to a bad start to obtain the telephone equipment contract under discussion.

The same is true in Thailand and Indonesia, where it has been outstripped by NEC and Siemens, respectively. Despite these repeated failures, the firm has kept some hope; India could be the first opening step to developing countries. The goal for the 5 to 10 years to come, these countries, among others, are examples of territory already acquired by competitors but where the French think they can make inroads anyway.

*CIT Alcatel, with its E-10, has actually installed 3 million lines in 19 countries (1.4 million sold and 1.6 million furnished in part only to manufacturers under license). Thomson-CSF, with its MT-20,25 first installed last month at Amiens, has 3.6 million lines installed or on order in 15 countries. Lines have begun to be put in operation in only four countries: Greece, Colombia, France and Iraq.

Geographic Position

"The weakness of French trade is to concentrate on too few products and too few countries." A statement that seems dreadfully obvious from the lips of Louis Mexandeau, but which in fact foreshadows what is really at stake for French industry of tomorrow. CIT Alcatel, quite advanced as far as products go, realizes that it has a bad sales network.

On the other hand, Thomson, which has had considerable delays in delivering its exchanges, is much better organized commercially, primarily because of its experience in the military field.

Cooperation

Combining the efforts of each to insure a real complementarity has become an obvious necessity. To carve out new positions, to strengthen others.

To consolidate the geographical position, technological progress will be a determining factor. The next generations (multiservice switching, optical switching) will undoubtedly be those of French-French products.

Unless Siemens, within the framework of a needed European cooperation, appears as the only possible, and therefore favored, partner to combat the giants ITT and Ericsson, who are too firmly entrenched in the coveted territory, or even ATT, until now confined to America, but which, because of the recent legal ruling may make an offensive.

A cooperation that could lead--why not?--to the manufacturing of a European product that the government would, of course, like to see "under French command."

"The only chance for France, in association with others, to become the third electronics giant is to favor cooperation at a European level with the giants that are today our competitors," explained Louis Mexandeau. "And we must increase the number of countries where we do business."

Worldwide System of Major Telephone Lines

	1978	1985
World Total	280 million	440 million
Europe	41 %	45.5 %
North America	35	28
Japan	13	10
Asia, excluding Japan	4	7.5
Latin America	4	6
Oceania	2	1.5
Africa	1	1.5

French businessmen are ready. Ready to join forces to grow and prosper together. In 1 year, from March 1981 to April 1982, telecommunications exports, all products combined, increased by 27 percent. The time has now come, in following the ambitious plan developed during Valery Giscard d'Estaing's term, to make this figure grow more.

As in the recent past, the telephone will play an important role in this.

Restructuring Due to Nationalization

Paris LE NOUVEL ECONOMISTE in French 9 Aug 82 pp 34-36

[Article by Anne-Marie Rocco: "The Telephone Duel"]

[Excerpts] The telephone industry is the silent star of a long-term restructuring; through nationalization, the telephone will be 100 percent French. A new strategy for the CGCT remains to be defined and the "after-nationalization" of CIT Alcatel and Thomson-CSF must be organized.

First they were three. Now they are two. Even if its name does not appear in the ambitious electronics plan presented by the minister of industry, the telephone is the silent star of an industrial restructuring that has not yet spoken its name. Paradoxically, it is because of its nationalization that the General Telephone Construction Company (CGCT, a subsidiary of the American ITT) is excluded from the club; soon the PTT [Postal and Telecommunications Administration] will control only CIT Alcatel and Thomson-CSF exchanges. The agreement concerning the purchase of 100 percent of the CGCT by the French state was signed 29 July after 14 months of negotiations and despite last minute difficulties.

Unlike the two other nationalizations that called for negotiating with foreign partners (Honeywell in the case of CII-HB, Hoechst for Roussel-Uclaf) the French authorities did not want to maintain technological links with the firm ITT in the case of the CGCT. Clearly, the PTT decided not to order the new ITT telephone exchanges that the CGCT would, in this situation, have produced in France.

The telephone will therefore be 100 percent French. This is not a new step in the recapture of the domestic market. Both on an industrial and technological level this is the logical outcome of a policy begun in 1976-1977 by the preceding administration which tended to polarize this sector. But the "telephone" operation is not yet finished. A new strategy for the nationalized CGCT (6,700 jobs) remains to be defined and the "after-nationalization" of CIT Alcatel and Thomson-CSF Telephone must be organized--competition or cooperation.

In 1976 the world telephone industry had just made a great technological leap by abandoning the production of old electromechanical exchanges for semi-electronic space exchanges which were less bulky and more reliable but needed

fewer workers to produce. These space exchanges developed by Ericsson and ITT were also sold by Thomson and the CGCT. Only CIT Alcatel had already begun production of a third generation of devices, of an entirely electronic technology called "temporal." This exchange of French design, called "E 10," was the fruit of close cooperation with CNET [National Center for Telecommunications Studies], the PTT's public research laboratory. The CIT Alcatel had only one idea in mind: have the PTT order this exchange. Because, contrary to the proverb that says that no one is a prophet in his own country, in the realm of telephones there is no exporting without experience in the country of origin.

A Wave. CIT Alcatel, the first to propose an "all electronic" exchange to the PTT, was also to be the first affected by this wave of technological unemployment. Several of the firm's factories, in the North, Alsace and Bretagne were taken over by subsidiaries specializing in small scale data processing and private telephones, two dominant notes on the diversification keyboard of CIT Alcatel. But the "switching" activity itself was stimulated by the administration's decision. CIT Alcatel's share in PTT orders has, at least momentarily, gone to 44 percent. And exports of E 10 exchanges have literally exploded; CIT Alcatel, which has gained a foothold in 28 countries, today has an order book for 5.3 million temporal lines, 2.6 million of which are for export. In India, CIT Alcatel officially signed a spectacular 3 billion franc contract on 2 August. It includes not only supplying 200,000 telephone lines, but also the construction of a factory (maybe even two) and joint development of small exchanges for rural use. In one stroke, the rate for manufacturing E 10 exchanges was speeded up. "Today," explained Georges Pebereau, chief executive officer of CIT Alcatel and general manager of the CGE [French General Electric Company], "three E 10 exchanges come off our assembly lines every week. This has no equal in the world."

Despite the cost of industrial conversions, CIT Alcatel has succeeded in maintaining year-end figures which, if not profitable, are at least balanced. Its competitors have been less happy. For 5 years Thomson-CSF has paid a high price for its entry into the telephone sector. "Until their purchase by Thomson," explained Daniel Guichet, general manager of Thomson-CSF Telephone, "LMT [Telephone Equipment] and STE [Ericsson Telephone Company] had installed a total of 9 million electromechanical lines using two different technologies. Starting in 1976, the two firms began to manufacture space exchanges, again using two technologies; 2 million of these space lines have been installed since then." "And, since 1977," he added, "we had to develop a new, 'entirely electronic' line. From 1977 to 1982 we had the most extensive product line in the world." Which is far from being a strong point either on the sales level--it took time before Thomson-CSF got its first big contracts in Greece, Turkey, the USSR and Egypt--or on an industrial level--they had to combine the two industrial systems, that of STE and LMT (today merged under the name Thomson-CSF Telephone) by reducing the number of factories and specializing them. Of 12,000 jobs, 4,800 were eliminated or adapted between 1976 and 1982.

To the cost of this restructuring was added that of developing the "MT" line (Thomson's "all electronic" exchanges), of which the first model, the MT 20,

was just put into service in Amiens 2 years behind schedule. "We underestimated the problems," it is now admitted at Thomson. "We had to increase the staff for developing the MT 20 and 25 exchanges from 510 men per year in 1979 to 937 in 1982. The cost of self-financed studies which, in 1979, accounted for 7.4 percent of the turnover had to be raised to 12.3 percent in 1981 and 10.3 percent this year." Compromises also had to be made with the clients; all the orders planned for export were rescheduled. The turnover, which was 2 billion francs in 1979, declined to 1.9 billion in 1980 and 1981. It should rise to 2.5 billion in 1982 and, according to Thomson's forecasts, to 3.5 billion in 1983. (CIT Alcatel's "switching" turnover was 2.98 billion francs for 1981.) Year-end figures have also been heavily affected: there was a reserve of 225 million francs in 1981, but losses over 3 years may reach into the billions.

Of the three competitors in the running in 1976, the CGCT is the only one not to have rounded the corner of technological change. Since 1978, the ITT subsidiary had been asking the French government to approve the System 12, the "all electronic" exchange that was to begin production in all of the firm's subsidiaries around 1982-1983. The former administration gave no response to this request; its silence was considered to be hostile. It was Mexandeau's ministry which replied negatively last May. Adopting the System 12 would be, for the PTT, strengthening the position of ITT--one of the major competitors of CIT Alcatel and Thomson on international markets--by providing references for the latest arrival in its line. It would also, declared Mexandeau to the NOUVEL ECONOMISTE, "have added disadvantages on a commercial level. Two French systems is already a lot. And a maximum."

Some at the CGCT had hoped that the nationalization would take place like it did at CII-Honeywell Bull--keeping a minority participation by ITT in CGCT's capital and continuing technological ties. The PTT's rejection of System 12 put an end to this scenario. For \$50 million, payable in two installments (September 1982 and March 1983), the French state will buy 100 percent of the four ITT subsidiaries in the area of telecommunications: the CGCT, which manufactures public and private telephone exchanges, La Signalisation, specializing notably in the laying of cables, the Henri Pouyet Company, which produces connection hardware, and the Central Telecommunications Laboratory (LCT), which performs studies for the entire firm. In all, 8,200 jobs (6,700 at CGCT alone) and a turnover of 2.6 billion (1.8 billion for the CGCT). The American firm has also agreed to take a share of the CGCT's losses in the likely case that they surpass 100 million francs.

The unity of the ITT group will probably not be maintained. At the Ministry of Industry it has been indicated that "a part of the firm could be put back on the stock market." But a problem arises especially for the CGCT employees working in the area of public switching (almost 4,000 jobs). The factories are still manufacturing a few space exchanges. But these are the last orders. Who will pick up the employment?

At Thomson-CSF and at CIT Alcatel, management prefers not to think that they will be required to take on all or some of the factories in question. Nor that they be asked to subcontract part of their production of E 10 or MT 20

exchanges to the CGCT. Because both firms are expecting new gains in productivity in their own factories, and thus loss of jobs.

The CGCT's management has formulated another solution: converting the factories and temporarily maintaining orders for space exchanges to insure the transition. But at the PTT, where the prospect of maintaining orders raises no enthusiasm, they prefer to invoke ITT's responsibilities in maintaining jobs at the CGCT in the medium term.

By eliminating the CGCT as a supplier of exchanges, Mexandeau's staff has put an end to the bipolariz tendency of the telephone sector which began in 1976. Several official statements have confirmed that there is no question of having a single system, as certain PSF theoreticians implied before the presidential election. The project, known by the name of "Telephone of France," that would have consisted of merging the "switching" activities of Thomson and CIT Alcatel is no longer circulating. Neither of the two firms wanted such a solution. Neither Thomson, which has barely emerged from a difficult merger, nor CIT Alcatel, whose major concern is solidifying as quickly as possible the position it has acquired in the area of temporal technology.

Putting aside the "Telephone of France" project, however, does not eliminate the possibilities for cooperation in one sector--the telephone--where, according to the advice of specialists, we must have at least 5 percent of the world market to remain competitive, i.e., supply 2 to 2.5 million lines per year. Only the Americans Western Electric (ATT), ITT and GTE meet this requirement. The Swedish Ericsson and the German Siemens cannot claim to. Neither can CIT Alcatel and Thomson-CSF, taken separately. Within the "electronic sector" plan, cooperation could be foreseen at the level of firms--it is willingly emphasized at CIT Alcatel that ties to Thomson-CSF's "electronic components" operations would be perfectly welcome. But the administration is not hiding its desire to see the two firms cooperate to develop future generations of exchanges that will combine sound, picture, and computerized data. A technology that would be central to the information industry and therefore to the electronics sector. It will surely be more difficult to do this. "This cooperation is not one of our priorities," stated each firm. It is difficult to erase an old tradition of competition, and even rivalry, with a simple stroke of nationalization. The telephone duel continues.

PTT: Lowered Budget

The telephone was one of the national causes of the seventies; telecommunications will be at the center of the "electronic sector" plan, the national cause of the current decade--provided the PTT can maintain its volume of investments, (see interview) which is not entirely certain.

The telecommunications investment budget (not including the postal service), expressed in constant francs, has not stopped decreasing for 5 years. The 1982 budget (27.2 billion francs) is also, in real value, below that of 1981. In 1977 (the historic record), it hit 37.6 billion.

In addition, in 1982, the PTT, like the other ministries, experienced a partial freeze of its investment budget (1.5 billion for telecommunications). And 3.2 billion was to be taken from the net figure (5.8 billion last year) of the telecommunications administration as the PTT's "extraordinary" contribution to the general interest tasks of the government. This caused a decrease in this ministry's self-financing capabilities; a payment of the same size is scheduled for 1983.

This slack period was only partially compensated for by resorting to private savings, either through the CNT [expansion unknown] (through which PTT "loans" travel) or through financing companies such as Creditel, Finextel, Codetel, Agritel, or Francetel. Created a dozen years ago when Robert Galley was minister, these firms acquire buildings and telephone exchanges and lease them to the PTT according to the credit-leasing system.

Despite these loans, the "purchasing power" of the PTT has decreased by almost 1.4 billion francs in 1982. And its indebtedness, if none of these measures is revoked, has increased. From 38.6 billion francs in 1977 it reached 73.3 billion in 1981. The annual service of this debt, which will be 6.9 billion this year, should increase to 9.4 billion in 1983.

Interview with PTT Minister

Paris LE NOUVEL ECONOMISTE in French 9 Aug p 37

[Interview with Louis Mexandeau, minister of posts and telecommunications, by Anna-Marie Rocco of LE NOUVEL ECONOMISTE; date and place not specified]

[Text] LE NOUVEL ECONOMISTE: Despite last-minute difficulties, an agreement was reached concerning the purchase of the CGCT [General Telephone Construction Company] by the French state. But can employment be maintained in this firm?

Louis Mexandeau: The minister of posts and telecommunications (PTT) is very anxious to guarantee the technical, industrial and human potential of its suppliers, and especially of the CGCT. Unfortunately, in the present situation PTT orders alone cannot insure the continuation of employment in the factories. This involves almost 3,000 individuals for the four CGCT plants, out of the 6,600 total employed by this company. Business heads' responsibilities are involved in the employment problem. Trade unions are directly concerned. This is why I have convoked, since the beginning of this year, what have been called tripartite meetings, the first of which involved the firm ITT. In addition, ITT has other very effective operations in France. This should be taken into account.

LE NOUVEL ECONOMISTE: Are you going to advocate competition or cooperation between CIT Alcatel and Thomson-CSF?

Louis Mexandeau: We must make a distinction between actual competition (of markets and prices) and technical competition. The PTT Ministry wants to keep competition between industrial firms, even nationalized ones. This is compatible with a more or less competitive form of cooperation for the development

of future generations of multiservice electronic exchanges. This form of cooperation, in which CNET [National Center for Telecommunications Studies] could play a role, is currently under discussion.

LE NOUVEL ECONOMISTE: Some firms fear a reduction in your budget, and thus in your orders, in the years to come.

Louis Mexandeau: The telecommunications investment budget in volume has been in a relative decline since 1978. Within the framework of developing a telecommunications management charter, the principle of which was decided upon by the prime minister, the PTT Ministry made proposals to different ministries concerned, especially that of the Economy and Budget and evaluated all types of needs (telephone, telematics, renovation of old equipment). We estimate that, from 1982 to 1986, the investment budget must be maintained at a constant level of about 30 billion current francs.

LE NOUVEL ECONOMISTE: However, like the other ministries, you were subject in 1982 to a 25 percent freeze in your investment credits.

Louis Mexandeau: The government, in its desire to reconcile the halt in inflation with the maintaining of employment through the use of public orders, was led to rather selectively unfreeze the frozen credits. For the telecommunications investments, 1,500 million francs of budget program authorizations will remain frozen. But this transaction will be compensated for by an increase of 1,300 million francs in loans furnished by financing companies, bringing loans from 2 billion to 3.3 billion francs. The net cutback for this sector is therefore limited to 200 million francs in an investment budget of 27 billion francs.

LE NOUVEL ECONOMISTE: Will you continue to call on these financing companies in 1983?

Louis Mexandeau: Resorting to financing companies can be analyzed as a form of private loan. In comparison to public borrowing, it involves an additional cost evaluated, at certain times, at 2 percent. The difference is not negligible. In fact, it was this difference that led us, being in the opposition, to oppose excessive recourse to this type of financing. In some respects our precautions were followed by results. As of 1976, public SDF's [financing companies] were created: Francetel, then Agritel. They lend under the same conditions as public loans. In addition, making private SDF's compete with public SDF's has resulted in putting stricter conditions on the former. The protocols being signed at present have interest rates lower than the issue rates of public loans. The audit office, at the conclusion of a recent inquiry, definitively confirmed that the use of financing companies, more expensive until 1978, had recently become more advantageous than public loans. In addition, my colleague Jacques Delors, minister of economy and finance, is not insensitive to the fact that, on the average, financing firms cover 25 to 30 percent of the equipment financed by means of funds which are reimbursed to them. The net appeal to the financial market is therefore significantly less in comparison to the more standard formula of the public loan. Finally, the possibility of turning to SDF's introduces an element of

flexibility into the investment budget, whereas budget credits are fixed as soon as the large sums of money are tapped. For 1983, the draft budget for telecommunications investment reintroduces the initial 1982 sum, 2 billion francs. When the time comes, especially once the government makes certain decisive choices (electronics network, teledistribution and cabled networks), this sum can easily be increased.

LE NOUVEL ECONOMISTE: The telephone industry has just gone through a long period of crisis. Can it once again become a creator of jobs?

Louis Mexandeau: Even in the difficult period we are experiencing, this industry creates jobs. These are skilled jobs for technicians and engineers. In addition, it is buying components in increasing proportions. Growth in the direction of telematics and new products is such that it will reinforce the creation of jobs in the future. On the other hand, the adaptation of standard production units of switching, transmission, cables, and telephone terminals (stations) is not finished and it is one of the key elements I will take under consideration when defining industrial policy in this sector.

9720

CSO: 3100/900

ELECTRONICS FIRMS, RESEARCH BECOME MAIN AQUITAINE EMPLOYER

Paris L'USINE NOUVELLE in French 8 Jul 82 pp 31-33

[Article by Francois Perrier: "Aquitaine, Bordeaux Affirm Their Electronics Calling"]

[Excerpts] Avionics and data processing have turned Bordeaux into one of the capitals of the electronics industry. This is a potential which leading regional officials are determined to exploit to the hilt. The creation of ADESO, the association responsible for creating tighter links between the enterprises to establish a real electronics line, is proof of this.

"Bordeaux and Aquitaine constitute the second area for French electronic jobs."

On that score, the leading exponent, Jean Touton, the president of the Bordeaux CCI [Chamber of Commerce and Industry], engages in his annual outburst. Events give Toulouse the title of aviation capital and he recalls that the success of the Mirage is quite as much as that of the Airbus and that military aviation is connected with Bordeaux. The Gironde capital this time proclaims its part in the electronics industry coverage. This is also a question of the perimeter of definition! As a matter of fact, the establishment in Aquitaine and, more especially, in Bordeaux, of several big customers (IBM, Siemens, TRW, Thomson-CSR, etc.), and the developments in the aviation industry have produced a fabric of about 50 widely different enterprises. And if we include the 1,100 employees of the commercial information agencies then we can say that something like 10,000 persons are working for the electronics industry in Aquitaine.

Leading economic officials wanted to go beyond the simple recognition of the regional potential by creating ADESO (Association for the Development of Electronics in the Southwest). Its objective: Create closer links between the enterprises, persuading them to benefit better from the research potential of the university. "We must create some missing links, we must build bridges between the big enterprises and the PME [small and medium enterprises], but the elements of an electronics industry do exist in Aquitaine," maintained Jean Poufet, ADESO president.

The presence of a telecommunications chief engineer at the head of the association by the way expressed one of the contemplated development thrusts.

Telephone operations, less well-known than avionics or data processing, are in effect progressing in Aquitaine. At Perigueux, the CSEE [Signals and Electronics Firms Economic Information Center] employs some 300 persons. At Pessac, in the Bordeaux suburbs, COMELE--which employs about 14 persons--is building automatic switches using a technology taken over from ELA [Applied Electronics] (when the company broke up in 1977, Leroy-Somer resumed telephone activities, creating COMELE which takes care of the design and assembly of automatic switches and which subcontracts the manufacturing).

Optical Fiber Pilot Network in 1983

At Bayonne, SAT [Anonymous Telecommunications Company] has been making remote data processing equipment since 1973. An expansion is in progress involving the assembly of low-range switching equipment. The 360 jobs, mostly filled by women, are very valuable to this region. By subcontracting a portion of the manufacturing volume, Raymond Castillon, the plant manager, has made it possible to start up another small unit, called COPELEC, created in 1975 at Villefranque in the form of a worker cooperative. The latter's main activity involves laying electric power lines and it employs 45 persons. SAT orders have made it possible to open an assembly and electronic cable workshop which employs about 30 persons. And COPELEC is building the very first product of its own, a telephone rate counter; it includes a microprocessor, designed for adaptation to the existing automatic switches and is sold through the AOIP [Association of Precision Instrument Workers] network.

The cooperative is already looking to another market: The establishment of the optical fiber pilot network at Biarritz will require minor operations (connection of subscribers to the fiber network, maintenance) which will enable it to acquire the necessary know-how in the fiber field. SAT, which is handling the installation part, will use the Bayonne plant for the assembly and inspection of equipment installed at the subscriber's end. As a matter of fact, the entire region is placing great hope in the experiment which will be started at Bayonne early in 1983.

Another telecommunications establishment, somewhat more discrete, could play a moving role in Aquitaine: It is the Directorate of Supplies and Workshops which was decentralized in 1976 at Eyzines, in the Bordeaux suburbs; this establishment will place Fr4 billion in orders this year and it will also ship the purchases through the MINITEL terminals.

Of course, the rules involved in public bidding competitions exclude any regional favoritism. But the proximity will help increase the small part of Aquitaine in the purchase of telecommunications equipment (Fr30 million).

An order released by Cirma Enterprise illustrates this possible opening: The replacement of 600 phone booths per day (to promote the creation of jobs in Lot-et-Garonne, the telecommunications establishments have assigned an identical task to a company which is just being set up; it is called Parallel 47).

This regular activity will enable Cirma Enterprise to accomplish its change in a calmer fashion. Cirma Enterprise, an affiliate of CGE, employs 240 persons (out of a total of 550) on electronics subcontracts in three establishments: Ambares, Saint-Medard-en-Jalles, and Marmande. It is developing into a more widely offered service. It is already completely making 18,000-20,000 modems per year for IBM, handling the assembly, the testing, and even the packaging. It is involved in inspection and installation of RAQ 2 with the National Defense [Ministry] which enables it to work for the radars of Thomson-CSF and for the SNIAS [National Aerospace Industry Company] rockets. "Becoming subcontractors involved in professional electronics requires investments in terms of manpower," explained Christian Chevalier, the manager in charge of electronics production (with about 30 persons in this section). "We are working on both ends, setting up the research bureau and getting the necessary testing equipment." The logical outcome of such a policy is the company's own product: Cirma Enterprise is developing an apparatus for anesthesia through the emission of currents, invented by a Bordeaux university hospital researcher.

For enterprises such as this one, public research in Bordeaux as a matter of fact offers quite a few opportunities. A university professor by the name of Jean-Louis Aucouturier has become completely involved in cooperation with industry. His speciality, the hybrid integrated circuit, is a major ace for the region. And the Aquitaine microelectronics workshop, established on the premises of the Higher National School for Electronics and Radio Electricity in Bordeaux, acts as an advisory service in microelectronics.

The presence of these companies, which are partly advisory bodies, partly design outfits, and partly manufacturing establishments, is another major ace for all of the region's industry. The service and consultant companies in electronics employ about 500 persons in Aquitaine. These are most often small companies, such as Valoris with six employees.

By promoting the emergence of these companies, the Ministry of Industry is providing a follow-up for the microelectronics industry advertising drive which it has conducted in all of the regions for the past 3 years. At Bordeaux, the first few meetings, organized by the Metallurgy Federation, produced wide participation. And about 15 enterprises have wanted to be subjected to a diagnosis.

The Showcase of Regional Know-How

To persuade enterprises with such widely differing interests to cooperate in joint efforts, ADESO of course has a big job ahead of itself. "The desire for participation on the part of the big enterprises is quite real. This is a very encouraging sign," said Jean Poufet. Two of the recent decisions to establish facilities confirm his hopes regarding the Bordeaux line: The decision by Pioneer, scheduled for the spring of 1983, at Cestas, which will employ 400 persons in the manufacture of hi-fi chains; and, along somewhat different lines, the decision of Cismatic at Arsac which will produce multi-layer printed circuits. It will fill one of the gaps in the line because, oddly enough, the Bordeaux metropolitan area does not have any

manufacturing establishment of this type in spite of a large local market.

In October, ADESO is organizing its first major show: the electronics exhibit at Bordeaux (Electron). "The enterprises no longer have the means for each sending half a score of key personnel to the components exhibit in Paris," explained Rene Malhene, assistant general manager of Composants SA and vice president of ADESO. "Regional parts distributors, such as we, have been demanding an exhibit in which the local enterprises can meet."

Electron meets this need. This will also be a showcase for regional know-how.

Electronics Line Organizers

Organization and Address	Activities	Contacts
ADESO (Association for the Development of Electronics in the Southwest), CCI of Bordeaux, 12 place de la Bourse Phone (56) 90-91-28	Promotion of electronics industry	Mr Poufet, president Mr Font, deputy
CCI of Bordeaux, 12, place de la Bourse	Miscellaneous efforts in support of the enterprises	Mr Font Mr Guilloumy
Aquitaine Microelectronics Workshop Domaine de Villepreux, 33160 St-Aubin-de-Medoc Tel (56) 05-84-24	Design of integrated circuits; study and construction of hybrid integrated circuits; application of micro-processing of data, industrial automation	Mr Aucouturier
ADETAA (Association for the Development of Automation Techniques in Aquitaine), ENSAM, esplanade des Arts et Metiers, 33405 Talence Cedex, phone (56) 08-84-50	Organization for the promotion and development of production automation techniques through the organization of think tanks, transfer between research and industry (pilot projects in industrial environment), training, assistance in the establishment of public bidding records, demonstrations of automated production applications	Mr Doumeingts

5058

CSO: 3100/838

PSOE SPOKESMEN ANALYZE ECONOMIC CRISIS, OUTLINE POLICIES

Madrid EL PAIS in Spanish 9, 10 Sep 82

[Article by Enrique Baron, Socialist deputy for Madrid, and Abel R. Caballero, adjunct professor of Economic Theory at Universidad de Santiago de Compostela; passages enclosed in slantlines printed in boldface]

[9 Sep 82, p 44]

[Text] There is no doubt that the crisis we are undergoing, stemming from the context of the Western economy, is not a mere cyclical crisis like those that disturb economies over short intervals; it is much more than that, being a true structural crisis.

Its roots lie in the unequal development of the productive structures of the United States, on the one hand, and some EEC nations and Japan, on the other hand; and, as a consequence, in the crisis of the International Monetary System that led to the floating exchange system and the resulting weakening of controls over each economy's inflationary processes by international commerce; and in the resurgence of inflation in the early seventies, as a result of the rise in food prices in 1972 and oil prices in 1973. From this point on, the trade balances of many countries began to deteriorate, and employment figures plummeted primarily because of zero growth resulting from a decline in investment. The economic sectors that constituted the linchpin of the system's growth became saturated and were destroyed.

Monetarism

In view of this situation, and given the absence of any similar crisis to serve as a precedent, orthodox economic theory had little or nothing to say: the coincidence of high inflation and unemployment rates wreaked havoc with traditional schemes. Keynesian public spending policies (understood within their restricted and distorted sphere) were deemed inappropriate, and gave way to monetarist policies (backed up academically by Friedman, in the initial version, and by Barro, Lucas, etc. in the second version; and politically legitimized by the conservative administrations of Reagan and Thatcher, primarily).

The elements that comprise this economic policy are: first, the growth rate of the money supply is the central cause of inflation; and second, in the long term, the total product, employment and distribution, as well as the growth of productivity, etc., all are factors that are determined by market forces, with no room for any kind of economic policy to regulate them, with the exception of inflation, which should be controlled through monetary policies. The struggle against inflation is given top priority, because it interferes with the proper functioning of the markets and makes private investment impossible. Any measure designed to prevent it will be positive in the long run, regardless of the problems it may occasion (read unemployment).

All contractive policies operate along these lines: the public sector is withdrawn from the economic scene quantitatively as well as qualitatively; the growth rate of the money supply is reduced to control inflation; and simultaneously, as the level of activity in the system subsides, imports will decline as well, so the strangulation of foreign trade will be alleviated in relative terms. Once inflation is under control, the system will react on its own accord.

It must be pointed out, in the first place, that there does not appear to be any solid theory to back up this policy. The premises that come closest are based on groundless variations of theoretical considerations whose practical applications are at least subject to question. Furthermore, there must be a clarification of what /neutrality/ really is, and what is the real *modus operandi* of monetary policies. Apparently, the theory is /neutral/: it lets the markets function freely, but its methods reveal a very clear ideological bias. Leaving aside the fact that the markets are /influenced/ by many factors (multinationals, lack of transparency, etc.), the most important and at the same time most dramatic effect of contractive policies is their impact on unemployment rates, which will soar tremendously, and their adverse effects on industries and sectors that are highly sensitive to overall declines in demand.

The objective sought by these policies is clearly to step up the pressure of unemployed workers to bring about a considerable drop in real wages. It is a matter of pursuing a redistributive policy that opposes wages (also eliminating indirect wages), while trying to restrict the power of labor unions. The policies' most obvious accomplishment so far appears to be that of substantially increasing unemployment. Alongside the extreme contractive solutions applied in the United States and the United Kingdom, a large number of countries are implementing depressive policies to a greater or lesser extent. The result is an even greater drop in the level of world economic activity.

Socialist Response to Crisis

Thus, the economic situation the Spanish Socialist Workers Party (PSOE) will face in Spain if it wins the upcoming elections will be marked by a world crisis to which the most common response in the West has been to permit, and in many cases even cooperate with, economic deactivation. This

assertion is particularly valid in relation to the American policy of high interest rates and rearmament financed by the most monstrous budget deficit in history, which is now being felt by Japan and the United States' principal European allies.

The task of straightening out an economy under present conditions in Spain, within the current world context, is not easy. But difficulty should not be confused with impossibility; curiously, this opinion is shared by conservative critics as well as some avowed leftists. It is clear that it will be tremendously difficult to carry out an anti-crisis policy within the socialist ideology. It is also obvious that the general tendency in the Western world to lower activity levels has a severe impact on our economy, and a policy pursued by the socialists will clearly be resisted--to put it mildly--by the more reactionary economic groups.

A crisis generated on a worldwide scale must be resolved on the same scale; isolated action by one country cannot resolve it alone. But there is enough maneuvering room to substantially alleviate the effects of the crisis, and to lay the groundwork for our economy vis-a-vis the new model of world economic functions.

10 Sep 82 p 40]

[Text] The central objective of the anti-crisis policy of a PSOE administration is clear: the creation of employment. In a country such as ours, where jobless rates exceed 15 percent, the choice of this objective is no longer a question of progressiveness or ideology; it is a matter of common sense. A basic objective of this caliber requires a few elements to make it a sustained phenomenon; the system must adopt a structure that is able to maintain higher levels of employment within a context of rationality and competitiveness. It is also necessary, however, to be aware of the circumstances of the various social groups and the various territories that make up Spain. A balance between these elements is an important condition for keeping the system in a position to be able to deal with the crisis, with the costs being shared equally.

The Three "R's"

The socialist economic policy on the crisis must be structured on the basis of a triple definition: /reactivate, restructure and redistribute./

To /reactivate/ effective demand is a central premise for emerging from the crisis and mitigating its short-term effects. It is simply not true that the market forces are sufficient to reactivate the economy, and some of the agents/ that affect these forces would even be interested in maintaining the status quo. It should be noted, however, that the market forces (especially one resultant one, private investment) are necessary to save the economy from the particularly depressed situation it finds itself in now. But public sector action is indispensable for lending the economy the especially intensive dynamism it now lacks.

/Restructuring/ is a necessary complement to reactivation. The endogenous potential of the various sectors and industries must be stimulated and adapted to the new situation created by the anti-crisis policies of enhancing worldwide competitiveness, and adopting new technologies. The appearance of new technologies and their adoption by productive systems would not pose a serious problem in and of themselves, and they could serve as a weapon against inflation if they had not been turned into a means to capture foreign markets, thereby spreading the effects of the crisis to other countries. This does pose serious problems, and it requires state action to coordinate the process so as to minimize the costs and rationalize the implementation. In this manner, job-creating reactivation will go hand in hand with a more efficient economic structure.

/Redistribution,/ in its many ramifications, is especially needed in our country during this crisis. With regard to redistribution among social groups, in addition to the need to reduce the differences between wage scales and benefits, it is also necessary to reduce those which have arisen between the workers who have a job and those who do not. The importance of taking action in the latter area--which will in turn step up demand--is even clearer in light of the introduction of new labor-saving technologies. A second kind of redistribution, the spatial kind (which must be understood here in the positive sense of favoring the most rapid growth in the most backward areas, without dampening the dynamics of the more advanced areas), is necessary not just for reasons of equity, but also to strengthen balanced growth.

Planning

In short, it is a question of establishing in the short and medium term an economy with a lower jobless rate, a more equitable and efficient economy. The concrete measures that can achieve this are varied, and it is impossible to analyze them in detail here. In sum, such measures should be set forth within the context of planning, understood as a document of agreements among the working classes, political powers and other social forces, and implemented in progressive budgets, giving special attention to public investment (which has liberating effects), public enterprises, key sectors, the enforcement of low rents, tax fraud, social security, unemployment insurance, indirect wages, low interest rates, etc.

It would not be redundant to stress the dual ideological and scientific nature of these measures. On the one hand, they have a positive impact on workers and certain sectors (underprivileged) of the business community, which will not have to bear the brunt of a minimized crisis; from the political-social point of view, this is the central result expected of the socialist economic policy. On the other hand, it must be noted that, technically, this is the only possible way out of the crisis; our rejection of monetarist theories is connected to the acceptance of the economic policy of reactivation, viewed in a broad sense.

Restrictions on Progress

We are perfectly aware of the difficulties and limitations of this kind of economic policy (which, we repeat, does not pretend to do away with the

crisis, but just to mitigate its effects). Leaving aside the possible actions that countries with contrary policies could take against this policy, it could be hindered by foreign trade and, to a lesser extent, inflation. As for foreign trade, the absence of reactivation (asymmetry) in other countries with which we trade will mean that while our imports climb, our exports will not experience a similarly dynamic autonomy. As a consequence, the balance of payments could become a bottleneck. In order to delay the appearance of that bottleneck as long as possible, reactivation must be combined with a policy of substituting or eliminating imports, and of stimulating export industries. Public investment should play a major role here.

Inflation can be kept under control by taking action in trouble spots, even though the external causes cannot be controlled by our economy. The reactivation of the economy by itself is not a principal cause of inflation, so there is not much to fear in this regard.

Restructuring must be a key weapon in this sense, while redistribution will help maintain agreements with the unions to prevent the inflationary spiral.

Within the margin of action left by the complex economic situation, there is plenty of room to establish a socialist economic policy.

8926

CSO: 3110/230

SOCIALIST ECONOMIST SEEKS TO DAMPEN EXPECTATIONS

Madrid DIARIO 16 in Spanish 30 Aug 82 pp 8, 9

[Interview with Socialist economist Joaquin Almunia by Alberto Anaut, date, time and place not given]

[Text] They travel the world over preaching, like the Lord, a message of moderation that calms people, especially businessmen. They sell the idea of a realistic Socialist party, and have put away under lock and key the threats of nationalization that so frightened people who prefer orderly lives. They all have a common coordinator: Joaquin Almunia, who ties together loose ends and oversees the operation of the Spanish Socialist Workers Party (PSOE) economic machine. He rules with an iron hand, making sure the proposals of the new program adhere to the purest orthodoxy of party leaders. He speaks well of the banking sector, but promises that part of its immense power will be taken away. He is merciless toward big business, and adulates small businessmen. He has the keys to what will be the Socialists' platform.

Madrid--Joaquin Almunia, who has become the brains of the PSOE, says that the Socialists' moderation, especially in the economic sphere, stems from a very simple thing: realism. "When talking of economics, it is useless to ignore the rules, because they end up prevailing. And when talking of economics from the leftist point of view, as in the case of the PSOE, it must also be borne in mind that the left, by its very nature, has no magic wand for solving problems, especially in crises such as this one. Here one must fight against harsh reality."

Thus, this is the point of departure for what the most radicalized businessmen of the Spanish Confederation of Business Organizations (CEOE) are combating most fiercely: the possibility of a moderate PSOE.

Moderates

[Question] In any case, what has changed in the PSOE since that first absolutely radical economic program that condemned the market economy and advocated the nationalization of the large banks and everything that got in its way?

[Answer] The party has undergone a clear evolution that is well known, in more than just the economic sphere. It is a logical evolution in a party that emerged from the underground with a heavy ideological burden and a certain detachment from reality, and went on to confront reality seriously. Our change is the fruit of a process of political maturation in a normal situation.

[Question] In spite of everything, perhaps there were other alternatives. With reference to economics, a certain prominent member of the PSOE has commented to me that he wished you had a social democratic economic program, because your platform is to the right of what would be a pure social democratic program.

[Answer] Well, I do not in any way share the idea that to be moderate runs counter to being socialist. What I do believe is that amid an economic crisis and a general crisis of values, there is no point in adhering to old ideas. The PSOE cannot adhere to the old ideas of the 19th century left, the left of the twenties and thirties, or the left of the post-war period.

Faced with a new situation, old prescriptions are inapplicable. Thus, that which is called moderation is none other than a lack of ideological conservatism, which has allowed the PSOE to opt for new solutions in view of a changing reality, without having to look backward to resolve the future. This is not a moderate attitude, but a radical one.

[Question] That is all very well, but things have names. What the PSOE calls realism has always been called "moderation," and in the best of cases, "social democracy."

[Answer] Traditionally, the left has had two factions that are no longer valid: those who read Marx mechanically and thought the capitalist system was caving in under its own weight, and the social democrats whose only concern was the redistribution of wealth. Now we know that capitalism is not going to cave in, and has been quite adept at finding solutions to its own crises. We also know that the social democrats, when times are tough, have hardly anything to distribute.

We place the accent on a new problem, that of increasing production. I think that this position, which is quite innovative, cannot be explained away with the term "moderate."

Leeway

[Question] Serious economists . . .

[Answer] Who are they?

[Question] The Fuentes y Rojos . . . (he laughs) . . . say that the way things are going, a Socialist government will not have much leeway for action. They claim that the state, the administration and the deficit must be held in check, because otherwise the country will go to the dogs. Does the PSOE see things this way also?

[Answer] If we do not consider the possibility of changing the current method of distributing power, I would agree that there is very little leeway. But I am convinced that if we act decisively to alter the present system of distributing power in society, and the public sector itself--which has been consolidating for 150 years in favor of the minorities that monopolize decision-making to serve their own interests--many things can be accomplished.

It is not necessary to invent anything to achieve this, either. We have the example of Austria, a nearby country that has no raw materials, energy resources, or a dominant position in the world market. With a society much more democratic than our own, with a clear predominance of civilian elements and a public sector capable of dealing with private initiative on equal footing, rather than simply serving as a dumping ground for what is left behind by the latter, Austria has been able to control the effects of the crisis and redistribute its costs more fairly.

[Question] But doesn't that take years?

[Answer] Sure, but here many things can change, and most of them will not have to wait 15 years.

For example, a decline in fiscal spending, which at this time is excessive and enjoys numerous privileges, and in which even many businesses discriminate against each other--there is no reason to wait for that. For example, a reform of the administration in the functioning of certain services, which can cover various social needs better and more cheaply. For example, the reduction of tax fraud, which at this time may involve 40 to 50 percent of income. There is leeway there.

[Question] While these reforms are being put into effect, the economy goes on. The PSOE voter will find that in the first year, Socialist "change" will offer him as a result the same inflation and the same unemployment. What happens then?

[Answer] That is what crises are all about. It is useless to make a lot of promises that will never be fulfilled. I think that rather than creating the illusion of short-term economic benefits, the party should offer the public an effort toward solidarity in the sharing of the crisis, and a message of change at a historically possible pace. I think that this double message is understood perfectly well by the public. In the majority of cases, the citizens have much, much more common sense than some politicians, who overestimate themselves and think that the voters will follow them blindly, no matter what they tell them.

I am convinced that if right now a party came out and said that in 3 years it would do away with unemployment, that pensions would reach the level of the minimum wage in 2 years, with the maintenance of buying power and an advancement of the retirement age, promising all that and heaven too, it would be difficult for anyone to believe it. The political effect of an

unrealistic offer is negative in a few months. We have local examples that confirm that.

This is when, without naming it, Joaquin Almunia mentions France.

[Question] That bit about solidarity, which sounds so good, isn't that demagoguery?

[Answer] No. To expect people to make an effort, it is necessary to make them see that those who show the least solidarity are those the law comes down on hardest to set an example. And the issue of incompatibilities in the administration will not solve the unemployment problem, but as long as people see that some ministers are probably continuing to draw salaries as officials of a certain entity, or that certain deputies are probably bringing in four or five salaries, or huge fortunes not reported to the Treasury, or that leading businesses are not up to date in their Social Security payments, it is difficult to expect the rest to comply. For society to cooperate in solving the basic problems, exemplary action must be taken.

[Question] Your statement about the ministers is very strong. Do you have figures?

[Answer] I do not have them directly, but I think there is a minister who continued to draw his salary from a large firm.

CEOE

There is a long history of hatred and threats, with accusations by both sides. The Socialists have found themselves face to face with an aggressive business organization with its battle axe raised on high.

[Question] Why does the PSOE get along so poorly with business?

[Answer] We do not get along poorly with business. The CEOE leadership, which is a horse of a different color, seems to have been under the impression for several months that it shouldn't get along with us. That behavior has nothing to do with the dialog we maintain regularly with small, medium and large businessmen. I have the impression that the CEOE's attitude responds less to economic interests than to its desire to promote the recomposition of the right.

[Question] Nonetheless, the PSOE has also been aggressive toward the leaders of the CEOE. Segurado, for example, commented to me recently that he was very hurt because Guerra called him a coupist. That is very hard. . .

[Answer] Well, if the CEOE leaders want to jump into the fray by claiming that in the past 3 years they have had no involvement--total or partial, probably partial--in any of the operations of questionable constitutionality that have been launched, then let them say so.

[Question] Or, on the contrary, you tell me. Because maybe the issues cannot be thrown up into the air like that. . .

[Answer] I think that what cannot be launched are unconstitutional operations.

[Question] And why doesn't the PSOE make a formal accusation. . .

[Answer] (silence)

[Question] . . . like the responsible party that it is?

[Answer] Sometimes one has the conviction, but not the evidence to prove it.

Such are the convictions of Joaquin Almunia, one of the strongmen of the PSOE, and his accusations against the CEOE.

[Question] Can the PSOE govern the nation, with the CEOE in a confrontational stance and the bridges for dialog burned?

[Answer] That obviously makes it difficult to govern a country, but in spite of everything government is still possible. What is not possible is to defend with certainty the interests of the business world if that defense must go beyond a systematic and constant confrontation with the government, whether by the left, the right or the center.

[Question] Can such an understanding be forged with the current CEOE leadership?

[Answer] We have no objection to people, just to their activities. And in any case, it is the businessmen themselves who must elect those who represent them. Our view is that there are business sectors (such as the public enterprises, many small and medium firms, the multinationals and a good part of the large businesses) that do not feel comfortable in the CEOE.

[Question] What about banking?

[Answer] It seems to me that despite their differences, bankers must be aware that so far the CEOE has defended their interests much better than those of the businessmen who have to go to them for credit.

[Question] Why does the PSOE get along better with the banking sector than with Ferrer?

[Answer] I should hope we would get along well with banking! (He laughs.) The fact is, because of its position of excessive power, the banking sector is more pragmatic when it looks to the future. It feels more sure of itself and feels it is in a better position to live with a political force that does not exactly serve its interests. It is not that bankers are more socialist than businessmen in pharmaceutical laboratories. . .

[Question] But the bankers say they have a good understanding with the PSOE.

[Answer] The experience we have had with the meetings the party secretary general has had with them is that they are willing to engage in dialog, and have a certain liberal sense of existence. They are more modern than some of the sectors at the apex of the CEOE.

[Question] Will the banks have less power under the PSOE than now?

[Answer] We hope so.

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EMPLOYERS' ASSOCIATION PUSHES FOR COALITION OF RIGHT

Madrid DIARIO 16 in Spanish 30 Aug 82 p 10

[Article by Primo Gonzalez]

[Text] A few hours before the dissolution of the legislature was officially announced, the combative Catalanian business leader, Alfredo Molinas, circulated an exhaustive questionnaire among the leaders of the political parties to find out officially their electoral intentions with respect to the treatment of the principal economic problems the country faces. Perhaps Molinas was unaware that, more or less at the same time his secretary was stamping the letters, Calvo-Sotelo had already consulted with the "meigas" regarding the appropriate time to dissolve the legislature and proceed to a new distribution of legislative power that would be more compatible with the country's present situation. The date, next 28 October, will catch the Spanish right perhaps more disoriented than ever, and the business sector will naturally be in the same position, with the representative system of its politicians in such a fragmented state.

At this point it is not known whether Molinas will get many or few responses to his questionnaire, but the general state of alert that mobilized Spanish politicians within a few hours of receiving the letter from the Catalanian business leader makes one fear the worst. So much so that some have already answered him by relating the difficulties of responding to such a meticulous document which demands a stand on everything.

Businessmen and Division of Right

Until now, the hypothesis of a Socialist government was a possibility viewed with a certain frivolity and little conviction. A few days ago, a non-financial businessman remarked that in the banking sector this possibility has not yet been entertained as viable or immediate; a similar attitude is apparently shared by many businessmen.

At this time, that idea is no longer simply a working hypothesis, but an alternative with a fixed date, and with a clock that runs backward, carefully counting and measuring the days. At this time, the hypothesis of a Socialist government is on the table as something perfectly possible and likely. What will the businessmen do in view of such a circumstance?

The division of the right, which should actually be considered truly disbanded, is the primary concern of the business sector today. Under the current system, the right is predestined to reap a resounding failure in the elections at the end of October. And that does indeed worry the Spanish business class. The hypothesis of a legislature without a strong conservative opposition, rather than earlier concerns about the slim chance of countering a hypothetical victory and the consequent Socialist government, is keeping more than one man awake nights. The present division of the conservative political spectrum, in a country whose sociological profile makes no allowance for a barren conservative vote, is something that does not jibe well with reality. Among other factors, the parties that can bear the standards of the liberal or conservative ideology are in a highly precarious situation, the majority of them in the process of reorganization or immersed in identity crises so profound that a good part of the electorate could decide to abstain from voting. Abstention is always, or almost always, a phenomenon of the right.

Hence, at this time the priority task of those who have something to seek or something to defend in the economic spectrum, is to sponsor a concentration of conservative political forces. That is the trick that will have to be played hastily in the coming weeks, just when some of the deans of this country's ruling class are still on the coast or have just gotten settled into their decision-making centers. Not to mention the fact that Calvo-Sotelo's unexpected decision really took them by surprise, because the calendar could have been synchronized so that the electoral countdown would begin in the middle of the next month. When historians analyze this moment, they will probably not thank Calvo-Sotelo much for his timing in dissolving the Chambers, considering that 2 weeks later would perhaps have been more appropriate.

What to Do with the Economy?

Now that the electoral process has practically begun, the business sector is anxiously awaiting not only the possible regrouping of the conservative proposals, but the contents of the political parties' platforms. So far, although the pre-electoral period has been developing for months, hardly anyone has been willing to reveal his economic cards. There is little doubt at this stage that on this playing field the likelihood of success or failure of various political alternatives will become clear. The economy, quite forgotten in recent times since the Executive's requests and the profound crisis we are still mired in, will necessarily play a pivotal role in the political parties' electoral platforms.

The parties' economic proposals do not always take reality into account. This has already happened with the Democratic Center Union (UCD), whose economic proposals were forgotten some time ago. If the successive economic teams of that party can be blamed for any of its failures, the abyss between their electoral promises and subsequent reality could be one factor. Moreover, some of the mentors of the concrete reforms undertaken by the UCD in the economic sphere are at this time quite close to the Socialists, although they are not to be confused with them.

Need for Clarification

The clarification of attitudes toward the economy, therefore, will be an important requirement by the electorate, and at the same time a necessity for the party that wins the elections and has to face the responsibility of forming a government. That government will have in its hands the historic opportunity of saving the country from the most prolonged economic crisis of recent times. It will have to formulate and implement a policy that will cut unemployment, keep inflation in check and encourage businessmen to invest.

One question that many people are beginning to ask is, assuming a Socialist government, who will hold the positions of responsibility in the economic sectors of Public Administration, and in the enterprises? Assuming that the Socialists win and--as appears to be the as yet unpublicized compromise--do not expand the public sector through new nationalizations--because we must recall that the UCD has nationalized quite a few things in recent years--the number of positions of responsibility up for grabs is quite high in the economic area alone. It does not seem reasonable that in many cases people whose independence and professionalism has been proven in the past will not be needed. Would the Socialists make a "clean sweep" and politicize some posts that are now somewhat neutral and whose occupants were named in recent years precisely to replace politicians of the old regime, or friends of ministers or of politicians fallen into disrepute? Will the Socialist policy be more moderate in this regard, limited to changing just a few key positions from which practically the entire public sector is dominated, to impart from those centers their legitimate political directives? Who will be chosen in the latter case?

Socialists and Future Designations

It does not appear that these questions will be answered during an electoral campaign, as they belong rather to a later period. But they will undoubtedly be an important touchstone that will appear the day after the elections, when it comes time to choose and designate people. A prominent administration leader remarked to me a few days ago that the most dangerous aspect of the Socialists' power could be not the laws or decrees they sign, but rather the "telephone politics" that seems to be causing so many confrontations at this time for the French business leaders. This politician's view is not too vulnerable to suspicions of visceral anti-socialism, because he belongs to one of the families that refused to jump on the UCD bandwagon and that favor cooperating, after an obligatory period of withdrawal, with a new, hypothetical Socialist power.

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INDUSTRIAL PRODUCTION IN 1982 EXPECTED TO DECREASE

Madrid EL PAIS in Spanish 13 Sep 82 p 39

[Article by Gustavo Matias]

[Text] Once again, this year industry is headed toward zero or negative growth, although that may be outweighed by an improvement in construction. If the hypothesis suggested by the inflection of the latest indicators is confirmed, the service sector will again become the only mainstay of economic growth (nearly 3 percent for that sector and 1.5 percent for national production as a whole), because the light weight and weak performance of agriculture and fishing will neutralize its effect. Government and administration sources have downplayed the deterioration of these and other indicators (unemployment, inflation and foreign trade), denying that they will influence the upcoming elections, outside the economic cycle.

Sources at the Ministry of Economics have reported that for the past year unemployment has grown at a slower rate, although the same cannot be said for inflation, nor can any change be expected. The central problem, as described in a book on the Spanish economy in 1982 (already sent to the press), has not changed since the Franco era. When the economy does recover a little, as it did in 1981, and especially so far this year, the pressures on demand unleash prices in the sectors that are least adaptive structurally, such as agriculture and services. With the additional aggravation of poor harvests and the strong performance of tourism, this has been one of the main causes of the rising consumer price index. At the end of July, non-processed foods were rising at an annual rate of 20.8 percent, followed by services with 16.6 percent. "Agricultural productivity has only to improve, and services will be atomized," added the sources.

Industrial prices, on the other hand, were growing at an annual rate of 11.6 percent at the end of July, in line with the deceleration experienced in recent years. Together with the minimal real growth of that sector during the past 5 years (from 4.7 percent in 1977 it dropped gradually to 0 percent last year), a phenomenon which has also been observed in other industrial countries since the second oil crisis, this has bolstered the service sector. In 1982 this advance will be reaffirmed, somewhat to the surprise of the Spanish administration.

Indeed, the latest indicators seem to back up study services that expressed a lack of confidence in industrial performance. Thus, the high hopes for economic growth this year are pinned solely on the service sector, where tourism, accounting for nearly one-fourth of the total, could see a 6 percent increase in revenues and an 11 percent rise in income measured in dollars, according to government officials. Public administration spending will also grow (especially Health and Education), where payments ordered for current expenditures during the first half of the year climbed 36 percent. The financial and transportation subsectors will also have a positive balance in the generation of wealth.

Fleeting Growth

The real surprise came just last week when the National Statistics Institute released the April industrial production index. In that month it was negative again: 0.6 percent below the April 1981 figure, with the January-April figure falling 1.1 percent below that of the previous year's first 4 months. This represents an interruption of the fleeting 1.5 percent rise of March, when for the first time this quantitative indicator clearly confirmed the slight improvement noted since December in the monthly industrial surveys.

Although officials of the Statistics Institute have cautioned that the data compiled at the end of each quarter are more reliable, the April index is doubly significant. On the one hand, the March growth was based on activities linked to the National Energy Plan or to exports (shipbuilding, leather and shoes); and the foreign trade figures for April were already giving cause for alarm due to the halt in the spectacular performance of exports in 1982. That alarm was confirmed by the May export data, released last Thursday by the General Customs Office; all principal categories, with the exception of automobiles, showed declines. On the other hand, since last June the Ministry of Industry surveys, generally considered to tend toward optimism, have begun to reveal a darkening horizon.

The slight contraction of investment expectations, noted in June by the survey for the July-September quarter, has been confirmed in July by the lower activity rate, which did not reach the expected 82 percent of productive capacity utilization.

The predictions of the most reliable statistical systems (see table) for August and September make it difficult to be optimistic, except that the moderation of the decline in consumer goods production is aimed at covering a demand that has been expected to surge for months, and could soon be spurred by the wage revision. The obstacle is not liquidity and credit; they appear to be expanding enough to keep the public sector deficit from expelling the private sector deficit.

INDUSTRIAL PRODUCTION AND OTHER CYCLICAL ECONOMIC INDICATORS
(IN PERCENTAGE OF INCREASE OR DECREASE)*

	SEP 1981	DEC 1981	JUN 1982	JUL 1982	AUG 1982	SEP 1982
General index of industrial prod.	-0.16	-1.01	/-0.66//	-1.04//	-0.65//	-0.30/
A) Investment goods	11.82	8.08	/ 2.16//	-0.31//	0.00//	-0.04/
B) Consumer goods	-2.62	-3.48	/-2.46//	-2.61//	-1.86//	-1.05/
C) Intermediate goods	-0.62	-0.98	/ 0.09//	-0.03//	0.10//	0.20/
Demand for electrical energy	2.05	0.13	-0.01	-0.04	/ 0.18//	0.46/
Sales at large stores	17.82	15.38	/15.18//	15.68//	15.47//	14.57/
Consumer price index	14.71	14.56	14.47	14.56	/14.63//	14.75/
Liquid assets	15.61	15.23	15.87	16.05	/16.19//	16.35/
Credit to private sector	19.00	18.41	18.81	/18.95//	19.12//	19.32/

*The Figures in boldface correspond to predictions by the Spanish Savings Bank Confederation Studies Service (expressed as the non-underlined figures in rates of increase or decrease for each month, compared with the same period of the previous year, calculated in mobile means of 12 months; that is, the arithmetical mean of the last 12 months, compared with the same magnitude of the same previous period). [Figures enclosed in slantlined printed in boldface]

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INFLUENTIAL BANKER PREPARED TO ACCEPT PSOE ADMINISTRATION

Bilbao EL CORREO ESPANOL in Spanish 29 Aug 82 p 33

[Interview with Nemesio Fernandez-Cuesta Illana, director general of the Banco Exterior de Espana; author, date, time and place not given]

[Text] Madrid--Nemesio Fernandez-Cuesta Illana, former minister of commerce, and prior to that undersecretary of the same department, as well as an economist and journalist and the father of ten children, is currently director general of the Banco Exterior de Espana. His signature often appears in the newspapers, too.

Nemesio can draw satisfaction from the fact that his oldest son is a government commerce expert, employed by the Ministry of Economics and Commerce after having scored number one in the competition. His second child, a daughter, has a degree in philosophy and is at the Universidad Menendez y Pelayo; the third child is a nurse, and the others are in school.

[Question] No journalists?

[Answer] There will be; that's not to say that we represent every profession in this family, but journalism is something we have been involved in forever. It dates back to the first writer in 1480, Nemesio Fernandez-Cuesta. He was a publicist and translator of several languages, as well as a writer, politician and economist.

[Question] And at the Fernandez-Cuesta home the morning MARCA is read lovingly.

[Answer] That is always a great dream for all of us. It is the family's desire, not at all for economic reasons, to be able to regain MARCA's leadership, in an area such as sports. I particularly have witnessed the efforts and sacrifices made by my Uncle Manuel, founder of the paper, and later my father, who was its editor for so many years. . .

[Question] Is the European Economic Community (EEC) as far from Spain now as it was when you were minister?

[Answer] The Common Market as such is perhaps less far away. Now, as for the integration of the Spanish economy with that of the EEC, the fact is it was always very close. More than 50 percent of our foreign trade, both imports and exports, is carried out with the countries of the Common Market area. The EEC, moreover, has accepted many Spanish emigrants. In reality, then, there is a kind of physical integration. Actually, we have always been a part of it, although not in the legal sense. The issue of whether Spain is Europe is a question worth asking.

Economic Facilities

[Question] Whether or not the French like it? . . .

[Answer] Well, maybe in the past, when for political reasons we could not aspire to belong legally to the Common Market, it may even have seemed easier and there were more economic facilities, because they wanted to make us pay a heavy economic price for every small advance we might appear to make politically, to say that we were closer to Europe. Certainly that was a big trap into which I don't think we fell. An agreement was reached in 1970 that is still in effect, with all its vicissitudes, but we did not give in to the pressure to carry out our integration in an area of free industrial trade. The fact is, what we define as the European Economic Community, for better understanding, is actually two things: a common agricultural policy and an area of free industrial trade. Naturally, the Community has no qualms about allowing Spain to belong to that area of free industrial trade, but on the other hand it is in no way interested in having us join the common agricultural policy. We must recognize that, as we have been saying for years (not just I, but I think everyone), Spain would and will enter the European Economic Community a very different country than it is today. To try to join as if it were the beginning, no longer for political reasons, having the same regulations in effect with Spain a member, is practically impossible, or at least, I daresay, very difficult.

[Question] The preferential agreement signed between Spain and the EEC in 1970, especially with regard to the citrus fruit trade, was decisive. . .

[Answer] I think we are using too strong language. Because I was minister for a year and a half and before that undersecretary an additional 4 years, I remember all about those negotiations, which I followed very closely because of my job. I sincerely believe that it was the best of the possible agreements that could be reached. No one can say that it was a perfect agreement, because it does have its problems, but at least it has gotten us accustomed to greater competition. In my view, what Spain still needs to be sold on, and they are making it increasingly difficult for us, is that desire to enter the European Economic Community. It is an issue that we cannot and should not approach exclusively from a purely commercial point of view, having only our own interests in mind. Indeed, it is a matter of negotiating interests, but I think it is also something more; and that something more is what we have to sell both inside and outside Spain. There must be a desire to join the Common Market, and unfortunately, that desire

today is practically non-existent. For me, that is one of the problems, because one thing is very clear: whatever Spain has to do in the economic sphere it would have to do exactly the same way even if the Common Market were not an issue.

Measures to Apply

[Question] In other words, even if we were not immersed in the question of integration in Europe, there are measures such as the VAT, for example, that we have no recourse but to apply.

[Answer] As I understand it, yes. Of course, that means sacrifices, because it is also a factor of clarification and rationality in our tax system. Everything that means clarity, transparency and rationality must be pursued in the economy of any country.

The economy, given the crisis so well-known to all, is perhaps the principal concern of all countries in general, and in the political life of Spain in particular.

[Question] How do you see the economic situation in particular?

[Answer] I think the most important aspect of the Spanish economy is that things work. The average citizen is concerned about just that: that things work. And here we are so used to things not working, that I think that is the principal problem. Any political party that can promise, pure and simple, that things will work, I think will win any election. That does not mean that I am advocating an absence of ideology, but there is no doubt that in addition to ideologies there is another fundamental element: doing things well. I think that the Spanish people, the economic bases of Spain, are reasonably good. Now, if things don't work, then there is nothing to do. Personally, in all sincerity, I am very optimistic; I think we are painting the picture too black. There will be difficulties, I don't deny that; but we must make serious comparisons. We must realize that there is a very tragic world out there, in which nearly \$500 billion has been lent to numerous countries. That is of tremendous concern to the physical and monetary economy of the entire world. That necessarily has an impact on everything else. This is one of the most difficult times the world has ever known. And we economists, with our characteristic economic prescriptions, must confess that collectively we have failed. Or at least, we lack credibility with the rest of the world.

[Question] Within the context of the crisis, of the Spanish economic situation, the matter of the public deficit now has experts seriously worried. Have we perhaps been too extravagant?

[Answer] Well, we have spent a lot. Now we should recognize that it is important. The public deficit is of concern on various levels, including the financial levels, because the more resources the public sector absorbs, logically, the less there are for the private sector. By the same token, therefore, there must be stricter limitations on credit facilities for private entrepreneurs. However, if we analyze the question a little more

deeply, we see that the problem does not lie in restrictions, but in the very lack of that credit, in the lack of private initiative, and ultimately in the lack of profitability of the projects that may be undertaken with those credit facilities. And why? Well, simply because money is expensive. There are some financial assets that are more profitable than any industrial endeavor. As a consequence, the entrepreneur, the person who used to be called the entrepreneur, may now prefer in many cases, rather than to struggle with all kinds of difficulties, to place his economic resources in financial assets that have much higher yields. That is only logical.

As for the deficit, which is what you are asking me about, I think it is a general consequence of the Spanish economic situation. The deficit in and of itself is not so disturbing--although, given its size, it could be--but rather, the size of the public deficit is the consequence of the needs of the Spanish economy. If there is unemployment, there must be subsidies; if there are industrial reconversions, there must also be subsidies. All that has to come from somewhere. And I don't think the deficit is the result of excessive spending (of which there is plenty, and it could obviously be cut back reasonably); it is a consequence of the circumstances. In any country, in any economy where there are circumstances analogous to those now occurring in Spain and other countries, the inevitable consequence is an increase in the public deficit.

De Facto Powers

[Question] Recently in our country there has been a lot of talk of the de facto powers, including, of course, big money, banking. What do you think of all this?

[Answer] These are just words and expressions we are using. Naturally, banks have power, like any sociological group; in the final analysis, the banking sector can be viewed in that light. But on the other hand, banking is merely a consequence of the existence of certain economic relations that require it. If there were no commerce, if there were no industry, there would be no banking either. It is an institution that renders a service in the public interest. What makes a good banker? Naturally, it is someone who serves those public interests, and who does so while obeying the political powers and taking into consideration the needs of his active clients (those who need credit) and his passive clients (depositors), as well as his obligations to them. For him is actually the job of middleman, investing resources not his own. Let us not forget that the money used by the bank always appears on the liability side of its balance sheet; it is the bank's liability, its debt, to which the banker always must respond.

[Question] And at this time, here and now, are the banks mentally prepared for a possible Socialist government?

[Answer] As I said earlier, I naturally feel that the banking sector is prepared to accept any government. I see no problem whatsoever with a Socialist government in terms of banks continuing to function as they have to date.

[Question] And you have no fear of possible nationalizations, either?

[Answer] I think no one wants to nationalize. It has been proven that nationalizations provide no advantage from the standpoint of the functioning of the economy. The truth is, I see no reason for it. It is no longer a question of accepting or rejecting what Felipe Gonzalez has said; I think that, given the situation of the Spanish economy and its needs, it would be very difficult for me to understand why intelligent people would want to take the path of nationalization. I sincerely believe they would not. Why do I believe this? First of all, I think they don't need to. In the second place, it would not improve the functioning of the banks' intermediary activity. And in the third place, because in a country that needs resources, it would always be a senseless investment.

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KARAYALCIN INTERVIEWED ON STATUS OF PUBLIC HOUSING

Istanbul CUMHURIYET in Turkish 22 Aug 82 p 6

[Text] Who Is Murat Karayalcin

He was born in 1943.

After graduation from the Economics and Finance Department of Ankara University's Faculty of Political Science, he attended East Anglia University in Britain where he obtained a master's degree in "developmental economics." He has served as an expert at the State Planning Organization and as deputy under-secretary of the Village Affairs and Cooperatives Ministry. He has been president of KENT-KOOP [Union of Urban Cooperatives] since May 1981.

Question: There is frequent talk of the serious dimensions of the housing problem in Turkey with the housing shortage cited in various figures. Do you have an estimate on this, on the extent of the housing problem?

Answer: According to official estimates, the estimates based on both State Planning Organization and Ministry of Reconstruction and Resettlement sources, Turkey has a stock housing shortage of 1.5 million. A further deficit of approximately 300,000 is added to this figure each year, also according to official sources. Now, a study which KENT-KOOP had done to cover the next 18 years up to the year 2000 requires that we add another deficit of 6.5 million units to this stock and annual deficit. Therefore, it may be said that this deficit will be climbing toward 10 million in the next 18 years or so.

Question: In your opinion, does the Public Housing Law, passed last year for the purpose of preventing this large deficit, have what it takes to solve this problem?

Answer: The Public Housing Law is a good law which KENT-KOOP has favored ever since it was passed. Our union believes that Public Housing Law No 2487 offers our society tremendous opportunities to solve the housing problem. Furthermore, let us add this: Turkey has the knowledge, personnel and experience, as well as the great financial opportunities which this law provides, to solve the housing problem. We at KENT-KOOP believe that if the law is enforced Turkey will be able to have the housing problem largely in hand coming into the 21st century.

Question: You mentioned the resources problem here. How much does the law require be set aside for the housing problem?

Answer: The law specifically calls for 5 percent of the annual expenditure budget to be deposited in the Public Housing Fund to be opened at the Real Estate Credit Bank. Since the 1982 budget is 1.8 trillion liras, there ought to be 90 billion liras in the Real Estate Credit Bank's Public Housing Fund for 1982, acting on this provision. This money, also according to the law, is supposed to be transferred to the Real Estate Credit Bank once each quarter throughout the year. Since the budget has been in effect for 6 months, there ought to be approximately 45 billion liras at the Real Estate Credit Bank according to the law. But we know that the 1982 budget allocated 20 billion liras for the Public Housing Fund. There were 4 billion liras from 1981. The notation "to be increased if necessary" appears in the budget. I would like to say here, speaking for KENT-KOOP, that subjecting the law to interpretation, interpretation as to the necessity or lack of necessity, is to us a very serious deficiency.

Question: So was the term "may be increased if necessary" used as a formula, or an interpretation of the law, for placing the figure 20 billion instead of 90 billion in the budget?

Answer: Yes, the law was subjected to interpretation. Yet the laws must not be interpreted. Whatever system they envisage, that is the system that must be implemented. Even so, let me say one thing more. Even if we take the 1982 figure as our input, there still ought to be at least 12 billion liras cash at the Real Estate Credit Bank by now. Yet, as far as we know, the cash amount deposited to date is around 3.5 billion liras. That is, the figure provided for 1982 has not even been enforced so far.

Question: Indeed, only about a quarter of it is there. Now, sir, there have been certain comments in the press recently, by the new Finance Minister Kafaoglu in particular, to the effect that importance would be given to the housing sector. Something called the "Home Savings Account" was mentioned in this regard. Could it be that, with the term "Home Savings Account," Mr Kafaoglu is considering something beyond implementation of the Public Housing Fund?

Answer: I would like to say, sir, that as KENT-KOOP we absolutely welcome what the distinguished finance minister just did at his press conference in placing the housing problem among the three basic goals of his stabilization policy. As for the "Home Savings Account," permit me to expand on this a little. The distinguished finance minister said at his press conference that it was necessary to employ the "Home Savings Account" system to prevent the spending that would be done to resolve the housing problem from creating inflationary pressures and that the citizens contribute to it from their own funds. As far as we know, Public Housing Law No 2487 already provided for our citizens to open Home Savings Accounts and become home-owners when they had accumulated a given amount in them.

Question: Could you expand this point a little? Who is to contribute and how much are they to contribute according to the system required by the Public Housing system?

Answer: Now, sir, the procedure prescribed by the permanent articles of the law is this: Let me give my example for 100 square-meter homes in large cities with a population above 500,000. According to the law, citizens who wish to be homeowners must accumulate at a bank from their own resources 27 percent of the approximate cost of the home within 3 years. At the end of the third year, the bank where the citizen has his account will open credit for that citizen from its own funds, that is, the bank's funds, of up to 1.5 times the amount of his account. Therefore, the citizen will cover 20 percent and the bank, 40 percent. This comes to 67 percent. The state will cover the rest, or 33 percent, out of the Public Housing Fund. As seen, the original burden in this three-way savings system is on the citizen and the bank. This existing system introduces a very heavy burden for our citizens who do not even own a home. Our citizens....

Question: I would like to ask a question here. Could you explain this a little further by giving a concrete example of cost from KENT-KOOP's own construction? How much would the citizen's contribution be? What income level would a citizen have to have to be able to set this much aside?

Answer: If we consider applying this system to a home costing approximately 2 million liras, our non-home-owning citizen has to save 27 percent of this, or 540,000 liras, within 3 years. This comes to a sum of around 15,000 liras a month. Bearing in mind that this citizen of ours does not own a home and must pay rent and assuming his rent to be at least 10,000 liras a month, we may reach the conclusion that he must set aside an amount of approximately 25,000 liras a month for household rent and home savings. It is seen that even 27 percent amounts to a very heavy burden for our fixed income citizens and our low income citizens. We at KENT-KOOP think that for this system to work the social security organizations will have to come into play, that our citizens who pay premiums into those social organizations must take advantage of the premiums they deposit. According to this, for instance, the social security organizations could pay 10,000 liras of this monthly sum of 15,000 liras and the non-home-owning citizen could pay 5,000 liras. Let me say immediately that OYAK [Army Mutual Aid Association] has begun to use this system. With problems of this dimension in the existing system, it is impossible, in our opinion, to consider that the citizen should increase his contribution or open a new savings account.

Question: In speaking of the "Home Savings Account" here, I wonder if this refers to a practice outside the Public Housing Law?

Answer: I have no way of knowing. The Home Savings Account is actually envisaged in the law in the way I just explained. This is a system similar to the home savings system in Europe and other countries. Therefore, I believe it requires some alteration. There would be at best certain demands that it be increased, but if we looked at it within the framework of the example I just gave, we would arrive at the conclusion that raising it would be impossible for resolving the housing problem of a broad sector of the citizenry.

Question: Now, with the citizen who wishes to own a home here being in this position as to his contribution, if the state, on the other hand, remains behind in providing its share as you just mentioned, then the problem is back at a stalemate in any case, is it not?

Answer: The Public Housing Law, as you mentioned in your first question, sir, does in fact envisage the employment of a system that can resolve the housing problem. If the law could be implemented as is with no changes, Turkey could solve its housing problem before the 21st century arrives. Otherwise, the changes to be made in the rates or elsewhere in the law, or the changes attempting to be made, will bring the housing problem back to a dead-end. Turkey's housing problem, whose dimensions I have tried to express, will grow a great deal worse.

Question: There is also this charge here against the Public Housing Law, in that certain spokesmen for the private sector say that the private sector has been left outside the scope of this law and this is one reason why the law cannot work. What are your comments on this?

Answer: I do not think this could be a valid claim, sir. The law envisages three units as involved in construction. The state--the Ministry of Reconstruction and Resettlement--will be, the Social Security Organizations will be and the cooperatives or cooperative unions will be. All three of them have to subcontract construction jobs if they are not going to do it on government consignment. Therefore, the private sector has the opportunity to bid for these contracts. For that reason, I frankly do not understand the view that the private sector is excluded. I do not think this view is correct. In fact, we have let contracts at KENT-KOOP. And numerous contractors have bid on our contracts, taken our jobs and carried out the construction.

Question: Now, because you said significant steps would be taken toward solving the housing problem if the law is applied in its present form without alteration, I will ask what aspects of the law you think must be preserved in particular and if you would explain them very briefly.

Answer: I can cite two articles very briefly. First, the article providing for a 5-percent appropriation of the expenditure budget must be meticulously preserved. Second, I believe it is imperative to preserve the provision on using tax assessments in expropriation. This is because Turkey is urbanizing and will need millions more square meters of urban land in the years ahead for housing and business. If we do not take the tax value as the basis for expropriation but use the current market value instead, as advocated by the draft constitution, Turkey will go into the 21st century with even worse problems, urbanization problems. For that reason, though I would wish that the entire law be meticulously preserved, I believe these two articles have a very critical importance.

Question: There is also the matter of your KENT-KOOP experiment. Would you summarize briefly the scope and goals of KENT-KOOP?

Answer: Sir, according to the KENT-KOOP project, 55,000 housing units, private homes, will be built on the 10.5 million square meters of land we have named West-Kent at the 15-kilometer post on the Ankara-Istanbul highway. And a population of 300,000 will live here. The West-Kent project is Turkey's fourth largest project monetarily, at 182 billion liras. Moreover, I am proud to say that the West-Kent project is the largest project undertaken by cooperatives in the world. For that reason, it is also possible to say that this project is a prestige project for Turkey, a national prestige project.

Question: Let me ask very briefly here, did international organizations show interest in this project?

Answer: They did, and still are. Let me tell you this as most concrete proof of their interest. Our union received \$28 million in credit from the Housing Fund of the Council of Europe. Moreover, we are in constant contact with organizations in the United Nations chain. We have applied for energy-related credits in particular from the World Bank and the Islamic Development Bank. Our efforts in that regard are moving forward.

Question: And what about KENT-KOOP's goals?

Answer: Let me explain our goal, or our approach, if you will. KENT-KOOP is a civic organization. KENT-KOOP believes this: The state cannot be expected to do everything. The needy must come together in civic organizations, define their own goals and resources and expect state support only at subsequent stages after bringing their affairs to a specific point. At the moment, KENT-KOOP is proceeding with this model under the guidance of the Ankara Municipality. By the end of the year, we will have realized an outlay of 2.5 billion liras at West-Kent without taking 1 cent from the state. We now qualify for the state credit envisaged in Public Housing Law No 2487 and are waiting for this credit.

Question: Have you made no use at all of these resources up till now?

Answer: We have made no use of either the Public Housing Fund or any other fund up to this moment. The amount I named consists of the West-Kentians' own assets. Let me also say this, if you will. We do not view this as a way of obtaining housing alone. We will have provided employment opportunities for approximately 7,000 people by the end of the year through the production we have initiated and will initiate at the West-Kent site. If the credit does not come on time, it will both give rise to a situation to shake confidence in the law and eliminate the opportunity to employ thousands of workers at a time when employment has become a very grave problem.

Question: Might there perhaps be an element of shaken faith among your own members also? How many are there, by the way? You didn't say.

Answer: We have 12,000 partners at the moment. We will raise this by stages to 55,000 in the years ahead. Cooperatives have not to date been able to create confidence in their management in the public eye. For that reason, in managing this model, which is new for Turkey, on the one hand, on the other we are trying to resolve the confidence crisis in cooperatives or the public sector in general. In fact, we drew up our construction strategy, our production program, bearing in mind the credit which the law you mentioned says will be given to us. If this credit is not supplied, it is true that we will be in a very difficult position in the eyes of our partners, but even more important than our being in a difficult position will be the failure to implement the law and the shock it will give to confidence in the law. This is why we believe the opportunity should not be allowed for this to happen.

Question: How much credit should be forthcoming on the basis of the net assets you have procured?

Answer: We would qualify for 1.6 billion liras on the basis of this year's production program, sir, according to the law. But, if I am not mistaken, a credit of 800 million or 900 million liras would see the raising of the construction package for which the distinguished head of state broke ground on 29 May by the end of the year, would provide for the continuation of this construction.

Question: You spoke of qualifying for 1.6 billion liras. How do you arrive at this figure?

Answer: The provisional first article of the law envisages this kind of system. If the cooperatives established prior to 10 July 1981 applied to the Ministry of Reconstruction and Resettlement by 10 July 1982 and registered their rights holders, they would benefit from special credit. The special credit envisaged by the provisional first article is this: If the cooperative partners produced with their own resources 10 percent of the construction of non-centrally-heated homes and 12 percent of centrally-heated homes, they would get credit from the state for the remainder. According to this and in accordance with the provisions of Communiqué No 82/2, we qualify for 1.6 billion liras.

Question: What are your construction goals by the end of the year if you get at least the 800 million-900 million of this you just mentioned?

Answer: If we get this, we will get all of the framework structures built of 2,800 of our homes. And occupation of them would begin next year. We could go ahead with the construction of an additional 8,000 of our homes with confidence in the state. If not, the doubts about implementation of the law in 1982, the first year in which the Public Housing Law goes into effect, will be very seriously heightened.

8349

CSO: 4654/430

HISTORY, PROFILE OF PASABACHE GIVEN

Istanbul DUNYA in Turkish 5 Aug 82 p 7

[Article by Zerrin Artagan: "Pasabache: Its Name Means Glass"]

[Text] Board of Directors

Management

Chairman: Remzi Ormanci
Vice Chairman: Esin Sankur
Members: Adnan Erkmenol
Yiksel Turk
Halim Aytac
Necmi Surel
Kenan Oltulu

General Director: Fuat Gulgun
Operations Director: Kamil Baskas
Finance Director: Sadan Yilmaz
Blending and Furnaces Director: Cetin Guney
Technical Affairs Director: Gunay Apak
Aid Affairs Director: Guvenc Ozsaran
Automation Director: Oktay Altinay

Hand Work Director: Saim Saruhan

Fuat Gulgun was born in Usak in 1929 and attended primary, middle and high school in Eskisehir.

After graduation from the Engineering Department of the Higher Maritime School, Gulgun spent 7 years working as second, third and master engineer on commercial and cargo ships in the state and private sectors and joined Pasabahce Glass Industry, Inc in 1959.

Gulgun has worked for 24 years in various departments of this organization, becoming general director in September 1980.

In an interview with Fuat Gulgun, who worked at Pasabahce Glass Industry, Inc for 23 years and is now general director, we said, "Everyone thinks of Pasabahce when glass is mentioned. How did you reach this point?" Smiling, Fuat Gulgun replied:

"Our factory was established on Ataturk's orders to keep foreign capital out of Turkey. We were the first glass factory, and the glass manufactured afterward has been offered for sale under the Pasabahce name. Therefore, the fact

that all glass bears the Pasabahce name has led the consumer to identify the Pasabahce name with glass. I think this is the biggest factor."

Fuat Gulgun described Pasabahce's position in the industry today for us as follows:

"Pasabahce Glass Industry, Inc is the leader in glassware manufacture in our country. The level of quality it has achieved, its modern technology and its 48 years' experience have enabled it to be influential on the domestic and foreign market.

"By the end of 1981, the company's production reached 35,000 tons (313,412 pieces), using almost 100 percent local raw materials to produce glassware and crystal both by automation and fashioned by hand. Though we expected the productional fluctuations in 1980 to have a negative effect on 1981 exports, foreign sales of Pasabahce's products rose considerably and the share of sales abroad in overall sales rose also.

"Providing employment opportunities for approximately 3,000 people, the added value created by the facility in 1981 was 2,545,300,000 liras. The first Five-Year Industrial Plan called for giving priority to the establishment of textile, metallurgical, sugar, paper, glass and chemical industries.

"We see that our facilities, established by the Turkish Labor Bank by Council of Ministers Decree No 2/162 on 17 February 1934 in keeping with this decision, began in this way to assume the task of leadership in the national glass industry.

"Pasabahce's founding capitalization was 1 million liras and its founders included Turkish Labor Bank General Director Muammer Eris, Branch Directors Fazil Ozis and Vehbi Emre and General Secretary Baki Sedes.

"Its first products were bottles and glassware and its first year's capacity was 3,000 tons a year. This capacity consisted of 6.6 million pieces of glassware and 4.4 million bottles.

"In its early years, the factory had 2 furnaces of 3- and 11-ton capacities, 6 "Roirant" machines for making bottles, and 14 blowing stations and annealing chambers for glassware production.

"When we look at the Pasabahce Glass Industry today, however, we see:

"Capitalization of 150 million liras and these capacities:

"Hand-fashioned glassware: 13.7 million pieces/year, 8,000 tons;

"Automation glassware: 324 million pieces/year, 31,500 tons;

"Crystal: 240,000 pieces/year, 190 tons.

"With 2,796 personnel and producing housewares, lighting materials, special glass containers, glass marbles, parquet and bricks in soda glass and crystal, it has become a giant organization that constantly renews itself.

"Partners in the business today are the Turkish Labor Bank; Turkish Bottle and Glass Factories, Inc; Pasabahce Trade Ltd; Technical Glass Industry, Inc; Topkapi Bottle Industry, Inc; Cayirova Glass Industry, Inc; and others."

Gulgun explained that the facility had been founded in 1934 with a 3,000-ton capacity and produced both glassware and bottles during those years, but later developments in the glass industry required that a separate factory be built for bottle manufacture.

He said that the Topkapi Bottle Factory (capacity, 45,000 tons) had been established around the end of 1968 for this purpose and was later incorporated.

Briefly summarizing Pasabahce's stages of development, meanwhile, Fuat Gulgun explained that it had been expanded 15 times with the addition of automatic presses and 15 machines late in the 1950s, establishment of the automated glassware facility in 1969 and the most important expansions in 1970 and 1976 when new furnaces were added to achieve today's 40,000-ton annual capacity.

Fuat Gulgun said that Pasabahce began exporting seriously since 1960, after meeting domestic consumption needs.

Noting that they had initially succeeded in exporting to a country as advanced in the glass industry as the United States, Gulgun explained that in the 22 years they have been exporting they have made a good name for themselves on the world market.

Gulgun said they had given export priority to large, wealthy nations, but Pasabahce's reputation had gradually become known in less-developed nations and so they sell in these nations also.

"We developed an export chain now extending as far as Austria, our most distant client," Gulgun said, adding that Pasabahce has an important piece of the trade pyramid of world markets today.

Citing Pasabahce's quality goods and stable sales policy, Gulgun said, "Nine times out of ten, a customer who works with us won't leave us."

We see that Pasabahce Glass Industry, Inc, which earned \$68,000 on its first exports to America and Cyprus in 1962, carved an important niche for itself in subsequent years by striving to achieve the quality and technology that would make it competitive abroad in keeping with the conglomerate's consistent export-oriented policy.

By the end of 1981, the facility's exports were \$21 million, comprising a significant portion of the \$71 million in exports of the Turkish Bottle and Glass factories conglomerate.

All of the organization's sales abroad are made by Pasabache Trade Ltd, a subsidiary of Turkish Bottle and Glass Factories Inc. The organization's exports for the past 5 years are:

Exports (\$ million)				
1977	1978	1979	1980	1981
10.162	10.254	11.784	10.380	20.836

After he described Pasabahce's success in exports, we asked General Director Fuat Gulgun: "Is the glass industry a profitable industry?" He replied:

"You can pat yourself on the back when you make 7 percent profit in the glass industry. We are working at 2 percent profit today. This is obviously not a very attractive figure. But the glass industry is one of the world's most competitive industries today. Our expenses don't stop when we are not producing. We have to work around the clock. The gravity furnaces have to be kept hot all the time. One has to have abundant operational capital in this industry. The slightest market glitch or money squeeze puts the glass industry in crisis. If we are managing to survive today, it is because we have stuck carefully to the financing programs we drew up as a result of our years of discipline. But I can say this also: The political and economic events of the world conjuncture in recent years are affecting us also. We too are unable to carry out our programs to the letter as we used to. Indeed this situation affects even large operations like ours."

Saying, "We produce tableware," Fuat Gulgun noted that expenditures for glasswares headed the list of cut-backs resulting from any economic crisis in foreign countries.

"How do you feel about being general director of an organization employing 3,000 personnel. What problems do you have?" we asked. Gulgun replied:

"I like my job. It is a great pleasure to work for such an institution. We have a large family with 3,000 personnel. Let me draw your attention to my saying we are a family, because our personnel perform their jobs here as if it was their own business. This is a very important factor for the organization as to progress and profits. I may say that I have no worries other than forming a group of people who like their work and, as you see, this is not a great problem."

We did not find Fuat Gulgun at his desk when we visited the factory. He was making his daily morning rounds of the factory. When we talked with him, he said that he does this every morning, usually arriving early to tour the factory. He said that he does it to keep in touch with the personnel and knows 80 percent of the 3,000 personnel employed.

Fuat Gulgun described for us the present-day Pasabahce. "We can produce 4,500 kinds of glass," he said, adding that the factory has used a computer system

for the past 2 years. Noting that the computer cost 1 million liras for 6 months, he said it would be used for keeping financial accounts also in 1983.

Gulgun said that the 1982 export goal is 2.75 million Turkish liras and 44 percent of production goes to exports.

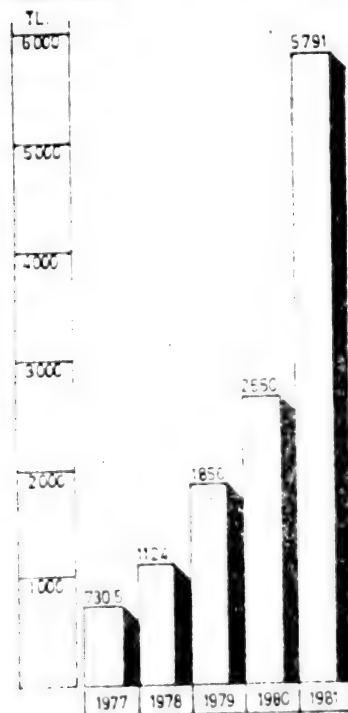
Meanwhile, Gulgun attributes Pasabahce's steady progress since its founding to the fact that no political administration has ever pressured the organization's management. "For this reason, management has remained undistracted, concentrating on development of its own production and technology," he said.

Gulgun summed up Pasabahce's goals in the years ahead in this way: "Our factory has no room for physical growth at present. Therefore, consideration may be given to shifting some of the production we do here to a new factory and doing fine-quality stuff with the latest technology here. Pasabahce now does crystal and soda-lime glass in its tableware line.

"So it is our intent and goal to put our organization's position on the world market pyramid up another notch."

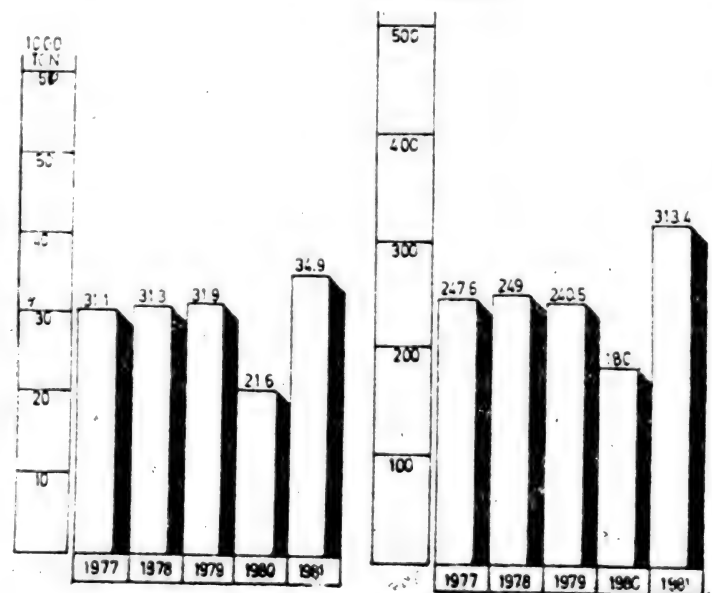
Stressing, furthermore, that developed nations are getting out of the glass industry today, Gulgun added that these nations are turning to automation and that Pasabahce would stress this type of production also in order to compete with them.

Million



The Course of Total Sales
For Last Five Years

Million



The Course of Total Production for
Last Five Years



Fuat Gulgun

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CSO: 4654/411



Pasabache: Its Name Means Glass

FORMER PRIME MINISTER CRITICIZES MAUROY ANTI-INFLATION PLAN

Paris LE FIGARO in French 8 Sep 82 p 5

[Interview with Michel Debre, former prime minister, by Patrice-H. Desaubliaux; time and location of interview not specified]

[Text] "Ineffective." This is Michel Debre's appraisal of the anti-inflation plan just put forward by Pierre Mauroy. The former prime minister, who for ten years has been asking government leaders for more strictness in managing public affairs, does not believe in the "socialist strictness" announced by the present prime minister. Such a false strictness will not cure any of the ills from which our economy is suffering.

Question: What is your appraisal of Prime Minister Mauroy's recent speech?

Answer: The least I can say is that I expected better. His speech rings false from beginning to end.

It is false to say that there has been no change in policy when we have gone from reviving consumption to freezing salaries.

It is false to predict that at the end of 18 months everything will be better, and that after that length of time the crisis will be behind us.

It is false to say that unemployment can be fought effectively when growth is weak.

It is false to endow oneself with the appearance of encouraging production when we continue to be the country in which the magnitude of the burdens on businesses is the greatest and is going to increase even more.

The government feels that it has to make choices. It is making some. It is refusing to make others. Because of which, it is living a contradiction. A stroke of ideology followed by a stroke of realism, and again a stroke of ideology. There is no success at the end of that road.

Question: After this speech by the prime minister, do you think the opening of the new session will be heated?

Answer: It all depends on one's point of view.

For several years it has been the custom to have a social get-together in the fall. Why? In a time of prosperity it was a matter of studying to what extent sharing in the growth justified improving private incomes, especially wages. Then came inflation--without prosperity. Then the fall sessions saw high fevers explained by a poorly-controlled inflation.

This year it is possible, if not probable, that the high fever will be less high. Workers are worried about employment and the unions, at least most of them, feel a responsibility for a socialist government that is in trouble.

But the opening session will be on another level that will be no less serious: the reduced economic capacity will be translated into the closing of businesses.

When you read the speeches of several months ago on "reconquering the domestic market," you are torn between sorrow and pity for the ignorance shown by our leaders. Revived consumption increased our foreign trade deficit by proportions that placed and are continuing to place our currency in danger.

Now they want to revive investment. But you can't push the "investment" button unless certain conditions are satisfied. Businesses must have the proper funds. The interest rate for credit must be moderate. Finally, and above all, you have to be able to sell at competitive prices. These conditions are not being fulfilled, and investment recovery may lead to a new revival of inflation.

A Diagnostic Error

Question: This situation is not really a surprise to you. Were you not expecting this decline in the French economy?

Answer: Without hesitation, the answer is yes.

In the beginning of this unfortunate socialist experiment, the vocabulary that was employed revealed an error in diagnosis. The new majority was using words that we already had heard too often. In this area, not only was there no change, but there was an increased continuation of the diagnostic error.

Politicians borrowed the word "crisis" from the economists. In their mouths, this word means a temporary period that can be expected to end; in the meantime, its effects, which would be as temporary as their cause, could be alleviated.

This is the first error, and unfortunately it is still being disseminated today. Is it not being said these days that 1983 will be a difficult year, but there will be appreciable improvement in 1984? I have been hearing this language since 1972. It has been false for 10 years and it may be false for 10 more years.

In fact--and this is the second error that I detect behind this vocabulary--it is less a question of economic disarray than of political disarray. You hear it said everywhere: we must reestablish monetary order, we must invent a new economic order.

Now the problem is a political one. It is the problem of the great powers being overarmed. It is the problem of Japanese industrial strategy, of competition from countries with low-priced manpower. It is the problem of the coalition of the oil-producing countries. Finally, it is the problem of demographic imbalances.

Question: That is to say, according to you, that the government's anti-inflation program is not relevant to the requirements of our time?

Answer: It is not relevant because it is ineffective.

What is inflation? Politicians are reluctant to define it--and with good reason! To define it would be to reveal the mediocrity of the means being employed.

/There is inflation when in a society the private and public expenditures for consumption and administration, as well as expenditures for equipment and armament, exceed the productive, contributory and savings capabilities of individuals, families and businesses that make up that society./ [In italics]

The whole western world is in a condition of inflation. The socialist world, too. As for the greater part of the third world, it is living on credit, and for many years the credit extended to it has been in false currency.

Savings are Being Killed at the Roots

Question: That being the case, what might be the objective of a national policy?

Answer: Not to exacerbate the already heavy external causes with internal causes.

Our neighbor, Germany, has been setting an example for 10 years. At the end of the 1960's our industrial and commercial chances, as well as our agricultural chances, were analogous to those of Germany. Little by little a ditch was dug and in the last several months it has become an abyss.

To return to the definition of inflation that I gave, the present majority is aggravating those two terms. On the one hand they are increasing expenditures, especially for administration and operating, on the other hand they are reducing productive capacity.

Question: Do you disapprove, then, of the measures that have just been taken in the direction of savings, budgetary economies, and less taxation?

Answer: Not at all. The government was aware of the disaster that was threatening it and us. There must still be savings, economies must be real, burdens on the treasury must not exceed the declared deficit by too much, etc.

By abolishing the profits of business firms, by increasing the fiscal and social burdens on families, one kills savings at the roots. It is true that by means of various measures they are closing the construction route to savings. But it is not certain that a draconian reduction in private property investment would be a sign of progress.

As for expenditures, they are shooting up on all sides: audiovisual, regionalization, public enterprise deficit. The government still has a long way to go.

Question: Under these conditions, what do you see to be the role of the opposition in the months to come? Don't you think it will be weakened by personal quarrels?

Answer: Personal quarrels play a subsidiary role at present.

This is the real problem: the opposition can't act in the same way that the present majority acted when it was the opposition.

For 10 years the present majority sold to the French people an unreal ideology and piled up various kinds of promises.

Such unreal ideology as a policy of reviving consumption, reducing working hours, and increasing public expenditures!

Piling up promises like this anything-goes demagoguery toward separatists as toward peasants, toward teachers as toward immigrants, toward craftsmen as toward homosexuals!

The Role of the Opposition

There is too much good sense in the present opposition for them to sink into unreal ideologies, and in the area of abusive promises it will always be surpassed.

It is true that it is hard--I know something about this--to present the language of truth and reality to the voters.

But there are two areas in which the opposition can and must still act, two areas in which, by its attitude and its speeches, it can win back the confidence of the people: freedom and the sincerity of the state.

Freedom is made up of many fundamental freedoms. We are sliding toward despotism and despite appearances a so-called "leftist" conformism is being established everywhere, especially in the administration and over the airwaves. Within this leftist conformism, communist colonization is being accentuated.

As for the sincerity of the state, our old people likes to smile and make fun of itself, but it suffers when the nation's affairs are treated lightly, even the fight against terrorism, which in a democracy worthy of the name should be the subject of a debate in the next extraordinary session. One could underline here the lightness consisting of pretending there is no connection between international terrorism and domestic subversion.

Question: What conclusion do you draw from this very lively criticism?

Answer: When the world is for a long time in a critical situation marked by strategies and competition that must really be called "bellicose," French democracy must lift itself above the party system, that is to say above the ideologies that are the expression of clans, groups, and classes, and, by looking at history as well as at the future, aim for the rigorous road of the national interest.

If, be that as it may, the leaders of French democracy continue to show sectarianism and unreality at the same time, which lead to despotism, we are doomed to an undemocratic adventure. In the face of authoritarianism another tendency toward authoritarianism will arise. And what will save democracy is not recourse to a multitude of ungovernable regional assemblies and the expansion of proportional representation in the National Assembly. Such trends go against--hear me well, against--the public safety.

Question: You have often been asked the question--it is still topical--: aren't you too pessimistic?

Answer: It is not pessimistic to try to see clearly and fight for the only hopeful solution.

8946

CSO: 3100/961

OUSTED PCE LEADERS ATTACK CARRILLO OVER ANDALUSIAN DEBACLE

Madrid EL PAIS in Spanish 31 May 82 p 18

[Article: "The Communist Failure in Andalusia" by Manuel Azcarate, Pilar Brabo, Carlos Alonso Zaldivar and Julio Segura who were members of the PCE Central Committee until November 1981]

[Text] This article concerns the sharp decrease in votes suffered by the Andalusian Communist Party (PCA) in the elections for the Andalusian Parliament and the causes which, in the opinion of the authors, who were expelled from the Central Committee in 1981, produced it. The results in Andalusia are, they affirm, a significant problem which is part of the more general phenomenon of the crisis which is affecting the Spanish Communist Party (PCE).

When the Central Committee of the PCE expelled from its midst, in November 1981, six of its members, it was said that such a measure was necessary to restore to the PCE an image of coherence and seriousness before the country, before the electors, to increase its strength and its influence. Carrillo said in the text that the six who were being sanctioned were "the greatest barrier between the forces of culture and the Communist Party" (MUNDO OBRERO, number 152, page 43); with this barrier down, the PCE's capacity to gain prestige in these sectors would increase.... The results of the Andalusian elections have demolished this argument. It is not possible to attribute the decrease in communist votes recorded in these elections to "Andalusian peculiarities." On the contrary, the PCE secretariat was convinced that in Andalusia the PCE crisis would not have electoral consequences; or, in any case, less than in other areas of the country.

First of all, let us see the figures without distorting lenses, to have the most concrete idea possible of the magnitude of the decline.

In the three elections which have taken place in Spain, the Parliamentary ones of 1977, those of 1979 and the municipal ones of 1979, the Communist Party achieved in Andalusia a considerable progress: 331,000 votes in the first, 392,000 in the second and 476,000 in the third. On 23 May, this progress was interrupted and, furthermore, sharply reversed: The PCA lost 232,000 votes and it obtained 243,000 votes. That means it lost half its votes in relation to the municipal elections of 1979.

Certainly the municipal elections, as well as the elections for the new autonomous organizations, have their own determining factors. But, even with the nuances, the figures are very clear.

With the votes of May 1982, the Communist Party would have only two deputies in the Andalusian legislative assembly, instead of the seven which it has; that is to say, that it would have lost the communist deputies for Granada, for Malaga, for Cadiz, for Jaen and one of the two for Seville.

Before such peremptory data, it is essential to pinpoint the causes, and to assign, as far as possible, the responsibilities.

We do not claim to present here a complete explanation of the causes for what occurred; an article of this type does not allow it. But an essential cause for the communist electoral failure lies in the policy of breaking up the vital sectors of the PCE which has been carried out by the secretariat since the 10th Congress, held in July 1981.

At that congress, the dogmatic pro-Soviet current was reduced to less than 5 percent. It was a surprise for many, after what had happened, 6 months before in the PSU [Unified Socialist Party] of Catalonia. This undeniable advance of Eurocommunism was due, to a great extent, to the activity of the Renewal trend, which represented more than 30 percent of the delegates to the 10th Congress. The latter approved, with majorities approaching unanimity, certain Eurocommunist political theses, some of which were presented and defended by the signers of this article. We advocated, likewise, that the Eurocommunist Renewal should be extended to the functioning of the party: more democracy, a climate of debate and mutual respect, an effective approach to the real problems of the country.

The congress expressed itself unequivocally by giving, for instance, a very high number of votes to the reformers in the election for the Central Committee, in favor of a policy of synthesis and integration of all the Eurocommunist forces. Carrillo did not know how, or did not want, to take into account this will of the congress. His principal error, which the Communist Party is now paying for, consisted of his refusal to come out of the 10th Congress with a policy of synthesis and of openness which would have allowed, in all probability, the broadening of the influence and the ability to integrate the communists into the social fabric. The secretary-general set himself as a goal the elimination from the party of the Renewal Trend which had manifested itself with great vitality at the congress. He said, according to the text, that he had to cleanse the party of factions. This cleansing began with the candidacy for the new Central Committee, from which were eliminated, finally, the Renewers of Andalusia. He then continued by excluding from the executive Pilar Brabo and Carlos Alonso Zaldivar, by dismissing Azcarate as director of NUESTRA BANDERA: all this before the Euskadi problems appeared, bringing about the dismissal of six members of the Central Committee and the expulsion from the party of the councilors from Madrid and a great number of militants from the capital. But these measures--more visible because they affected the supreme organ of administration and municipal government of Madrid--were no more than a small part of the work systematically carried out by the secretariat to exclude, shunt aside, demoralize the Renewers in many places in Spain. By

arbitrary decisions of the secretariat, not allowed by the statutes, a number of provincial and local, etc. committees, have been dismissed. An unbearable atmosphere of fear, of suspicion, has been created in many organizations. There has been a process of dismantling, provoked by the top leaders of the PCE, of entire organizations, of vital sectors of Spanish Eurocommunism.

The Impossible Formula

These are not internal problems, nor questions of organization. The secretariat's policy has caused the turning away from the Communist Party of a large number of workers and peasants, of professionals and intellectuals, for whom democracy, participation, are necessary components of a progressive, revolutionary attitude.

In Andalusia, the left, on the whole, has advanced in recent elections. But this advance has not meant, as in other historic occasions, advances for the two workers' parties, even though such advances might have been of different magnitudes for each party. No. It has been an advance of the left with a massive decline of the communist vote.

On the other hand, the electoral campaign of the PCA [Communist Party of Andalusia] or rather that of Carrillo, who managed it in a very direct way, has pointed out the vacuum, the political impoverishment of the policies presented by the communists to public opinion. The entire substance of the Eurocommunist alternative has been forgotten. The campaign centered around the argument: the PSOE [Spanish Socialist Workers Party] will not obtain the absolute majority, so it will have to accept communist ministers, so we are necessary.... On one hand, a head-on collision with the socialists was being provoked. On the other, the PCA was being put in the position of being an appendage, more or less inconvenient, of the PSOE. What attraction could the communist vote have if we used this line of argument? The PCA has complained that the useful vote has polarized the voters in favor of the PSOE. But it was precisely the electoral campaign of the PCA which placed the useful vote as the decisive question and supreme motivation.

Furthermore, the communist orators have repeated endlessly throughout Andalusia that the PSOE could not have an absolute majority. Then it did obtain one. Not only were many votes lost. But they made themselves ridiculous, an unforgivable thing in politics.

The worst possible solution is the one being applied by the leadership of the PCE: when a free debate is more necessary than ever, to impose obedience to those at the top. The formula of being Eurocommunist on the outside and the opposite on the inside is not viable.

Only a Eurocommunist party can guarantee and extend its political presence and, therefore, its electoral appeal, if it is capable of understanding what the various sectors of society think, of giving progressive responses to the real problems. On the other hand, there is a road which leads directly to the defeat of Eurocommunism: it is to base the communist electoral appeal on historical memory and personal charisma. That is what happened in Andalusia.

This road leads to a party which is continually losing members and voters, dedicated to remembering the past, more and more alienated from the contemporary realities, paralyzed by the traditional worship of hierarchy and discipline, separated from the body politic.

The current evolution of the PCE brings it to this type of party. In specific historical circumstances, a defeat similar to the one the Communist Party has just suffered in Andalusia has served to awaken energies and desire for change. In other cases, it has only been one step more in a process of decline. We are very concerned that such a decline might occur precisely because we are primarily dedicated to contributing to the renewal of the left.

8956

CSO: 3110/151

DEPLOYMENT, QUALITIES OF MARINE MISSILES SUMMARIZED

Paris, ARMEE ET DEFENSE in French May-Jun 82 pp 26-27

[Article: "The Navy's Missiles--Per 'La Marine Nationale' (The Navy) by Captain Capelle"]

[Text] The principal weapons systems chosen are:

for antiaircraft warfare:

- medium-range weapons systems Masurca (French design and manufacture) and Tartar (produced in the United States)
- Crotale short-range weapons systems (made in France).

for antisurface warfare:

--the Exocet HM-38 missile and its airborne version the AM [air-to-sea]-39. The SM 39, the change-of-environment missile, will equip all types of modern submarines.

--the SS-11 and SS-12 missiles on the fast patrol boats

--the Martel airborne antiradar missile

--the AS-12 missile, the airborne version of the SS-12.

for antisubmarine warfare:

--the Malafon, of French manufacture, has a range compatible with the towed LF [low frequency] sonars.

for deterrence:

the missile-launching nuclear submarines (SNLE's) are equipped with MSBS (sea-to-ground strategic ballistic) missiles with nuclear warhead, of entirely French fabrication.

Surface-to-Air Missile

Masurca Mod 3, Self-Guided

Characteristics

Construction: by Ruelle-Marine

Total length: 8.5 meters

Total weight: 2,090 kg, including 950 kg for missile alone

Range: 50 km

A solid-fuel accelerator takes the missile to the speed of Mach 2.2.

Launching is from a double ramp.

The missile is guided by a set of radars and associated computers.

This missile arms the missile-launching frigates "Suffren" and "Duquesne" and the missile-launching cruiser "Colbert."

Tartar Mk 1 (Types IT and SM-1)

Characteristics

Length: 4.7 meters

Weight: 590 kg

Speed: Mach 2

Range: IT--25 km; SM-1--45 km; SM-2--75 km

This missile, of American construction, equips the four squadron escorts of type T-47: the "Dupetit-Thouars," the "Du Chayla," the "Bouvet" and the "Ker-saint."

The SM-2 type will equip the C-70 AA corvettes.

This solid-fuel missile is self-guided. Launching from single ramp.

Crotale Short-Range Surface-to-Air Missile

Characteristics

Construction: Thomson-CSF [General Radio Co]-MATRA [Mechanics, Aviation and Traction Co]

Length: 2.89 meters

Diameter: 0.15 meter

Airfoil span (cruciform): 0.54 meter

Weight: 750 m/s [as published]

Range: 8 km

This missile equips the C-70 ASM corvettes ("Georges Leygues" type) and the F-67 frigates.

Air-to-Surface Missile

AM-39

The AM-39, derived directly from the MM [sea-to-sea]-38, is an active self-guided missile that can equip the Navy Air Force's recent airplanes: the Super Etendard, the Atlantic/New Generation (after 1985). (The Super Frelon/AM-39 weapon system has been made for export.)

Characteristics

Builder: SNIAS [National Industrial Aerospace Co (Aerospatiale)]

Length: 4.6 meters

Weight: 650 kg
Range: 70 km

AS-37 Martel

Passive antiradar self-guidance system.
Can equip the Breguet Atlantic.

Characteristics

Builder: MATRA-Hawker Sidelex
Length: 4.2 meters
Weight: 531 kg
Range: 20 km.

AS-12

Airborne version of the SS-12.
Equips the Lynx and Alouette III helicopters.

MM-38 Exocet

Self-guided missile; equips the cruiser "Colbert," the three "Tourville"-type frigates, the "Georges Leygues"-type corvettes, the squadron escort "Duperre," the helicopter-carrier "Jeanne d'Arc," the escort dispatch boats, the frigates "Suffren" and "Duquesne" and the "D'Estienne d'Orves"-type dispatch boats. Installation is planned on the corvette "Aconit" also.

Characteristics

Length: 5.2 meters
Diameter: 0.34 meter
Airfoil span: 1 meter
Total weight: 700 kg
Explosive charge: 150 kg
Speed: Mach 1
Range: 40 km

Transhorizon version MM-40 under experimentation.

Malaŕon

This missile equips the refitted T-47 ASM [antisubmarine warfare] escorts, the squadron escort "La Galissoniere," the corvette "Aconit," the missile-launching frigates "Suffren" and "Duquesne," and the "Tourville"-type frigates.

The missile, intended for attack against submarines detected by the vessel's sonar, is essentially a torpedo-carrying glider, launched by a solid-fuel double accelerator, stabilized by automatic pilot and remote-controlled for direction. On radio order, the Malaŕon releases a torpedo equipped with a warhead equipped with an automatic target-seeking system.

Characteristics

Construction: Latecoere, jointly with the Naval Construction establishment of Saint-Tropez.

The Naval Force's Resources

<u>Naval Resources</u>	<u>Today</u>	<u>Forecast for 2000</u>
Combat:	5 SNLE's	6 SNLE's
	120 combat vessels (including 2 aircraft carriers): 200,000 t	122 combat vessels (including 2 aircraft carriers): 260,000 t
Support:	48 support vessels: 92,000 t	25 vessels: 100,000 t
<hr/>		
<u>Air Resources</u>	80 airplanes carried on board	90 airplanes carried on board
	32 maritime-patrol planes	42 maritime-patrol planes
	40 combat helicopters	92 combat helicopters

Length: 6.15 meters
 Diameter: 0.65 meter
 Airfoil span: 3.3 meters
 Total weight (including torpedo): 1,500 kg
 Speed: 830 km/hr
 Range: 13 km.

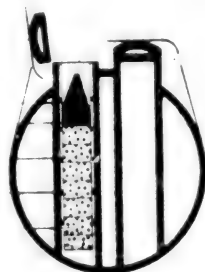
Change-of-Environment Missile

SM-39 (under Experimentation)

Derived from the Exocet, it can be launched against a surface target by any submerged submarine through its torpedo tubes.

Ballistic Missiles

MSBS (Sea-to-Surface Strategic Ballistic) Missile



- | | |
|-------------------|------------------------------|
| 1 - tube hatch | 5 - internal tube suspension |
| 2 - internal tube | 6 - shock-absorbing cover |
| 3 - missile | 7 - membrane |
| 4 - external tube | |

--Prime contractor: SNIAS (Ballistic and Space Systems Division)

--Each of these missiles is contained in a vertical tube that is itself suspended elastically in a second tube welded to the submarine's hull and sharing its resistance.

--Upon reception of the firing order, each tube is put under pressure by means of compressed air until the internal pressure is equal to that of the surrounding sea water. Then the upper hatch is opened and the missile is driven out of the tube by gases under pressure, breaks through the flexible membrane that was still separating it from the sea water, and ignites near the surface.

M-20 Missile

Characteristics

Two-stage solid-fuel rocket

Height: 10.75 meters

Diameter: 1.5 meters

Mass: 18 tons

Range: more than 3,000 km

1-megaton thermonuclear warhead

The SNLE's of the "Redoutable" type are equipped with 16 of these missiles each.

M-4 Missile

Characteristics

Three-stage solid-fuel rocket

Height: about 11 meters

Diameter: about 2 meters

Mass: about 35 tons

Range: about 4,000 km

Several medium-power thermonuclear warheads

The SNLE "L'Inflexible" will be fitted with these missiles when it is placed in service (1985). The other SNLE's will be retrofitted with them.

11267

CSO: 3100/919

BETTER MOBILITY, FIRE POWER CHARACTERIZE AMX 30 B2

Paris ARMEE ET DEFENSE in French May-Jun 82 p 22

[Article: "AMX 30 B2"]

[Text] The AMX 30 B2 tank is the new version of the AMX 30 B tank ordered in series (new and rebuilt tanks) by the French Army within the framework of modernization of its armored forces.

The original qualities of the basic tank--mobility, firepower, combat capabilities in all environments--are further enhanced by means of the following principal modifications:

- new transmission increasing mobility, agility and driving ease;
- automatic conduct-of-fire integrated with laser telemetry and passive night-time firing system that result in very short action delay and high hit probability day and night, against fixed or moving targets.

This materiel is being produced in series; the changeovers are applicable to the AMX 30 tanks in service.

The first specimens of this new materiel were delivered to the 503rd RCC [Combat Tank Regiment] at Mourmelon in January. The "transition tank," to use General Delaunay's term, should precede the Franco-German tank, planned for the 1990's. The unit cost of an AMX 30 B2 tank is estimated at Fr 3 million. The total cost of the program (260 AMX 30 B2's and 750 refitted AMX 30's) is estimated at nearly Fr 8 billion.

Technical Characteristics

Crew: four men (tank chief, gunner, driver, loader).

Total mass of tank: on marching orders, 36,000 kg; on combat orders, 38,000 kg.

Firepower, Munitions

- one 105-mm cannon firing the G shell and the OFL (APDS FS [armor-piercing discarding-sabot fin-stabilized]) munitions; 47 rounds carried;

- one 20-mm pompom with high-aim device for antiaircraft defense; 480 rounds carried;
- one 7.62-mm machine gun, cupola-mounted, for close defense (served from inside).

Hydraulic aiming: in direction, 360°; at angle, -8°, +20°.

--Electrical firing.

Optics and Conduct-of-Fire

- Tank-chief day/night scope and 10 panoramic episcopes; counter-rotation;
- Laser-telemeter scope for gunner, with integrated COTAC [expansion unknown] conduct-of-fire;
- Light-intensification equipment for driving, observation and firing; low-light-level TV monitors for gunner and tank chief.

Mobility

- Hispano-Suiza engine with maximum power of 700 or 800 HP;
- "Powershift" gear box with five forward ratios and reverse, lock-up torque converter and hydrostatic steering, or mechanical gear box with five forward ratios and reverse, with assisted control under electronic surveillance;
- Speeds: maximum on road, 65 km/hr; average on road, 50 km/hr; average cross-country, 45 km/hr;
- NATO combat autonomy: 18 hours;
- Spanning capacities:
 - gradient, 60 percent; vertical-sided ditch, 2.9 m; vertical obstacle, 0.9 m'
 - fording capability without special equipment, 2 m; with snorkel, 4 m.

Unit pressure on ground: 0.8 bar.

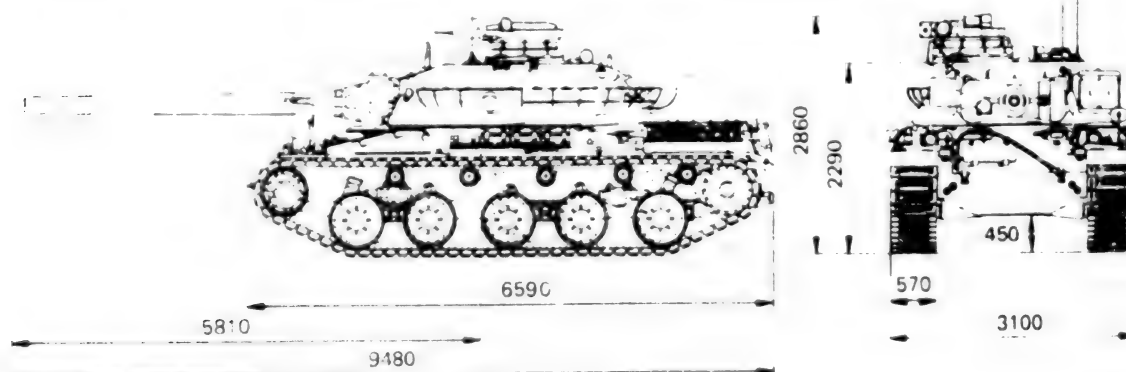
Protection

Conventional: steel armoring.

NBC [expansion unknown]: collective pressurization: two circuits.

Equipment

- one or two radio sets (TRVP [expansion unknown] 13 and 213, or TRC [expansion unknown] 570, or HF-TRC 320), interphone and outside telephone.



11267

CSO: 3100/919

ROLE OF HELICOPTER SEEN TO CHANGE IN FUTURE COMBAT

Paris ARMEE ET DEFENSE in French May-Jun 82 pp 18-19

[Article: "The Military Helicopters"]

[Text] There are 21,000 military helicopters in service in the world today, which represents 55 percent of the total fleet. This proportion will have a tendency to drop in the coming years because of a considerable growth of the civilian fleet and relative stability of the military fleet.

The helicopter, engaging in many conflicts since the Korean War, has become a true means of combat to which the most varied missions--combat, liaison and logistics--are assigned.

For carrying out these missions, there are light helicopters, transport helicopters and armed helicopters.

The light helicopters (less than 2.5 tons) do liaison and observation missions.

They have some points in common with their civilian counterparts, from which they differ mainly by the addition of specific means of communication and observation. In this category we can cite the Franco-British Gazelle, the Bolkow 105 (2.4 tons, FRG), and the American Cajuse and Kiova (1.4 tons). However, the future machine could be more specifically military.

The transport helicopters range from 4 to nearly 100 tons (MI-12), depending on whether they are for tactical or logistic transport. Logistic transport is the job of machines of more than 20 tons. We can cite the American Chinook and Stallion (50 to 60 persons), and the Soviet Hook and Halo, on the order of 40 to 50 tons. The Soviets attach great importance to this kind of craft.

The tactical-transport helicopters are between 4 and 10 tons and are assigned to assault transport in combat zones. Their qualities are consequently a high safety coefficient, great maneuverability and high performance level. To preserve their survival capability, they have to have reinforced structures. This kind of machine is a specialized craft today, of medium size, powerfully motorized and with high survival capacity. In this category we can cite the AS-332 Super-Puma (8.4 tons, 21 passengers) and the UH-60 Sikorsky (9 tons, 18

passengers). Coproduction of a 6 to 8-ton machine is envisioned in Europe for the 1990's.

The armed machines have not been highly developed. They are planned for anti-tank and fire-support missions. They can be specialized or not. The unspecialized helicopters are generally light machines intended for antitank warfare: their armament consists of wire-guided missiles (the Hot, with 4-km range). They may also be given specific weaponry for fire support (machine guns).

There are only two types of them at present, only one of which is in service: the American Cobra. Designed for carrying abundant and varied weaponry, they have a high degree of excess power, discretion and survival capacity. The most recent is the AH-64 (Hughes): 8 tons, 2 crew members, heavy armoring, and the ability to fly and acquire and fire at targets at night. Its Soviet counterpart (the Hind) resembles it but nonetheless remains a multipurpose craft.

The need is arising for an armed helicopter of about 4 tons and capable of carrying out nighttime operations; the Bell 249 and the Italian Mangustoc should meet these requirements. France and the FRG are envisioning the joint construction of a craft of this type for the 1988's [as published].

The conditions for use of the military helicopter are going to change in the very near future.: new threats will appear, and as the first consequence, night combat and combat in poor visibility will be necessitated. The threat will come from the ground because of improvement in the means of acquisition, and also from the sky, with the appearance of air-to-air armament for helicopters. From this there will doubtlessly emerge a protection craft. Such is the dilemma presently posed to the command and the structures.

Within the framework of the missions that could be assigned to the military helicopter, that relating to the sea should be mentioned. Within this framework, the main role that has devolved to the naval helicopters is antisubmarine (ASM) warfare; but more and more, it is being attempted to give them antisurface (ASF) warfare possibilities: long-distance surveillance, target designation, and ultimately, independent attack.

These helicopters break down into two categories: medium helicopters, of the Super Frelon type (13 tons), Lynx-type light helicopters (4.7 tons), the former being based either on land or on aircraft carriers, or carried on ships of lighter tonnage.

The helicopter carried on board has to be able to take action in all weather and at considerable distances from its carrier. This leads to its being equipped with sound buoys rather than with sonar. It is also required to be able to identify surface vessels and either attack them or designate them.

All this entails the designing of machines of about 6 to 8 tons, which makes it possible to use them both from land and from on board a vessel on the order of 4,000 tons. In this slot, France proposes the Super-Puma equipped with an antisubmarine weapons system, and for antisurface missions, missiles of 50-km

range (AM [air-to-sea]-39 Exocet). It also has the naval-type Dauphin, which is more highly specialized for antisurface missions with a missile of 15-km range (the AS [air-to-surface]-15 TT).

The United States has developed the 9.5-ton Sea Hawk, and in Europe, Great Britain is designing, with Italy, the replacement for the Sea King: the 10-ton EH 101.

To conclude, it can be asserted that the military helicopter will more and more have to demonstrate specific qualities on the levels of performance characteristics, hardiness and survival. It will also have to have armament of high performance but simple to put into service.

Characteristics of French Helicopters

Characteristic	Alouette II SE 3130	Alouette II SA 318 C	Gazelle	Gazelle	Alouette III	Puma
	Artouste	Astazou	SA 341	SA 342	SE 3160	SA 330
Crew	1 pilot	1 pilot	1 pilot	1 pilot	1 pilot	2 pilots
Passengers	4 pass	4 pass	4 pass	4 pass	6 pass	+ 1 mech 15 pass
Total weight	1,600 kg (or 1,500 kg)	1,650 kg	1,800 kg	1,900 kg	2,100 kg	6,700 kg
Average speed	160 km/hr	160 km/hr	240 km/hr	240 km/hr	190 km/hr	240 km/hr
Radio	VHF/HF	VHF/HF	VHF/HF, UHF	VHF/HF, UHF	VHF/HF	VHF/HF, EHF*
Kerosene fuel- tank capacity	565 lit	565 lit	530 lit	530 lit	560 lit	1,565 lit
Average consump- tion per hour	180 lit	135 lit	170 lit	175 lit	200 lit	600 lit
Safety factor	60 lit, or about 15 min	60 lit, or about 20 min	50 lit, or about 15 min	50 lit, or about 15 min	60 lit, or about 15 min	200 lit, or about 20 min
Range and dis- tance cover- able in func- tion of load (safety fac- tor included)	Pilot + 4 pass: 1 hour or 160 km; 3 pass: 1:35 hr or 250 km	Pilot + 4 pass: 2 hrs or 320 km; 3 pass: 2:45 hrs or 440 km	Pilot + 4 pass: 2:30 hrs or 625 km; 3 pass: 2:50 hrs or 665 km	Pilot + 4 pass: 2:50 hrs or 665 km	Pilot + 6 pass: 1:40 hrs or 310 km; 5 pass: 2:05 hrs or 395 km	Crew + 15 equipped soldiers or 1,500 kg freight: 2:25 hrs or 600 km

11267

CSO: 3100/919

GENERAL

GREECE

BRIEFS

GOOD CHURCH-STATE RELATIONS STRESSED--Following his meeting with Archbishop Serafeim, Prime Minister Papandreou stated that relations between church and state are positive. The prime minister brought the ministerial council up to date on this meeting that took place at the archbishop's residence. Present at the meeting were the legal counselors of the prime minister, G. Kasimatis and of the Greek church, G. Lilaos. A government representative who made the announcement refused, despite repeated questioning, to elaborate on the issues discussed by the prime minister and the archbishop, or confirm whether the question of distributing church-owned land to landless peasants was included among them. [Excerpts] [Athens AKROPOLIS in Greek 17 Sep 82 pp 1, 7]

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Oct. 7, 1952